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ABSTRACT

This booklet examines the problems involved in financing public education in the United States, discusses the inequities of present finance systems, describes possible changes, and suggests alternatives for constructive solutions. The author first describes present school finance systems, with special emphasis on the southern states. She then points out the inequities of present finance systems and discusses recent court cases involving school finance equity. Several alternative designs for more equitable school finance systems are described, and guidelines to follow in choosing among those alternative designs are suggested. Finally, the author briefly examines recent school finance reforms adopted in various states, again with special attention to the southern states. The appendix summarizes state constitutional requirements affecting school finance in the southern states, presents a variety of school finance data for the southern states, and lists a number of university-based research groups and other agencies in the South that can provide useful information and assistance to citizens interested in school finance reform. (Author/JG)

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THE COST OF NEGLECT THE VALUE OF EQUITY

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THE COST OF NEGLECT THE VALUE OF EQUITY

A Guidebook for School Finance Reform in the South

by Virginia Flerning

Southern Regional Council, Inc.
52 Fairlie Street N.W.
Atlanta, Georgia 30303
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Preface

The Southern Regional Council recognizes the importance of education to individual and regional development. We have in the past joined others in asking that adequate funds be made available to educate the children of the region. Through research, information sharing, and action, we have worked toward the democratic goal of public education free of racial discrimination for all children in the South. Many strides have been made toward this as yet unreached goal. Each advance toward its achievement brings awareness of further steps that need to be taken.

This pamphlet analyzes the problems of financing public education and urges that equity in educational financing be a major priority of state governments. But equity goes beyond merely providing equal dollars per pupil. It goes beyond eradicating the differences in educational expenditures based on the property wealth of a school district, although this is a necessary and, tremendously important part of school finance reform. Equity requires that we be sensitive also to the differing needs of children. Some of these may involve cost differences. Urban education, for example, in some places may cost more than rural education. Vocational may be more expensive than general education. Making up for current and past handicaps—mental, educational, physical—may require higher than normal expenditures.

A humane society can see the need for giving children their fullest educational opportunity. Such a society can recognize the inherent unfairness in saying to children in a poor district that their educational opportunities will be forever marred because of where they live.

There are many steps on the road to educational finance reform. This pamphlet discusses the inequities, describes the steps that may be taken for action, and suggests alternatives for constructive solutions.

There are places in the South where the idea of reform in its newer meanings has taken root and where significant advances have been made. But, for the most part, the states of the region have not advanced much from the early formulas for limited equalizing of expenditures among school districts. We hope that this pamphlet can contribute to understanding by citizens, professional educators and government officials of the issues involved. We seek to stimulate new thinking in the states of the region. Above all we hope that state and local groups of citizens will organize around the issues of school finance reform and seek concrete changes in their own states.

The cost of past neglect in terms of undeveloped human potential has proven great, indeed. The value of achieving greater equity in educational finance, we believe, will be found in the lives of our children and the kind of society we make for ourselves.

GEORGE ESSER
Executive Director

HARRY BOWIE
Associate Director

Introduction

Parents living in the Edgewood neighborhood of San Antonio, Texas, have no choice but to send their children to the poorest public school system in the area. Local school money is raised from the property tax, and in Edgewood the value of property is only $5,960 per pupil. In nearby Alamo Heights the property value is $49,000 per pupil.

Edgewood citizens care deeply about education, and are willing to pay high taxes for it; on every $1,000 worth of property they own they pay $10.50. Alamo Heights citizens pay less than that: $8.50 per $1,000 of property. The result, however, gives all the advantages to the children of Alamo Heights. Alamo Heights residents raise $333 per student from the property tax (above their contribution to and returned share of the state funding plan) while Edgewood residents raise only $26 per student.

That situation seems unfair to Edgewood parents and taxpayers. Several years ago a courageous man named Rodriguez filed suit against state and county education officials charging that his children and other children in Edgewood were being denied a fundamental right to equal educational opportunity. The federal district court agreed with Rodriguez, and the other parents who joined him. In March, 1973, the United States Supreme Court disagreed. A narrow majority of the justices said the system was doubtless unfair—but it was not unconstitutional. The Court decided to leave decisions about change to the state legislature.

Officials and legislators in Texas breathed a sigh of relief. They are mostly in agreement that the situation needs improving, but they have not yet come to a political agreement about acceptable change.

In other states around the country, with and without court cases, school finance is a large political issue. The case for reform is clear, but the choice of remedy is still undecided.

This pamphlet is designed to give citizens some of the information they need to bring about change. It first describes the present systems of raising and spending school money, with special emphasis on the South. It then gives the facts about how unequal such systems now are in terms of results for children. It explains the current court cases on this issue. Various possibilities are then discussed for alternative systems which would be more fair, and some questions are examined about how to choose among these alternatives. Finally, there is a chapter describing reforms going on all over the country, again with special attention to Southern states.

A new step toward equal education opportunity is possible. Citizens and parents in every state need to look at the inequities, and then work to produce a fairer system of educational finance.

"Nothing is more striking than the boundless faith of the citizenry in the power of popular education. It was a faith widely shared by the generation that founded the republic, and it has been an essential article of American belief ever since . . . . Education has been . . . America's instrument of social progress and reform, and it has commanded such widespread popular support that D. W. Brogan was once moved to refer to the public school as America's 'formally unestablished national church'."

Lawrence Cremin
The Genius of American Education

"Education is perhaps the most important function of state and local government . . . . it is doubtful that any child may reasonably be expected to succeed in life if he is denied the opportunity of education."

Brown v. Board of Education
United States Supreme Court, 1954

Chapter I
The Importance of Equal Education Opportunity

Public schools began to spread in America early in the nineteenth century, but even then the argument went on for decades: should citizens who have no children in public schools be required to pay taxes to support education?

It was the vision of Horace Mann and other early advocates that finally convinced the American people. They described a common school, open to all, which would be the agent of national development along democratic lines, producing social harmony and equal opportunity, and in time eliminating poverty altogether. To this end, control would be placed in the hands of the people, through school boards and state legislatures rather than in the hands of professionals. There was a strong belief that control should not go to the "politicians"; thus, power went to independent school districts rather than governments such as cities and counties.

It was not easy to establish a universal public system; Southern states were last to accept the idea and even then it took private philanthrophy to include black people even partially in the system. But our public education has by now become remarkably inclusive. It is a vast enterprise which employs five million people and spends nearly $50 billion a year. Schools are one of the major public institutions in American life, consuming significant political energy as well as dollars.

One justification for this huge investment has always been that public schools would produce a more just and equal society based on individual merit. There have always been other goals —for example, the need for a literate, informed citizenry to make democracy possible. But the goal of individual improvement and advancement through education has been a strong article of faith. Succeeding generations of American parents believed ever more strongly that schooling was the key to mobility and success for their children.

The national goal of equal educational opportunity arises from this fundamental faith in the value of public education. In the last few years, however, we have been challenged to question whether our original faith in the social benefits of education has been misplaced.

Waves of criticism, of course, wash over public education in every generation. But lately the schools are being rocked by a whole series of attacks which seem to undermine further attempts to equalize educational resources for all children.

Perhaps most astonishing is the proposition from some social scientists that the quality of education itself does not directly influence life opportunity or income distribution. Those who believed that more and better schooling would insure mobility and economic success (and who perhaps thought that this was the primary justification for public education) have been shaken by a number of recent publications.

The most publicized is a book written in 1972 by Christopher Jencks and others at Harvard University called Inequality: A Reassessment of the Effect of Family and School in America. Using a wide range of research material, Jencks found no visible connection between the quality of schooling and future economic success, a finding that could just as well be taken as criticism of the larger society's acceptance of mediocre education as it could criticism of the economic utility of education. Jencks stated that the **quantity** of schooling certainly seems to determine credentials, and, therefore, access to jobs; he concluded that the ability to last long in school seems to be related both to socio-economic background and to a cultural commitment to do so. But the **quality** of education, according to Jencks, does not seem to be a vital factor. He suggests that the opportunity to get equal schooling does little to equalize incomes in society as a whole, or to produce equal life chances. The goal of social mobility through education, argues Jencks, may be a myth.

The impact of this kind of research depends on whether one accepts the assumption that

schools are meant to be the agents for income redistribution or the elimination of poverty. It is obvious that many government policy-makers and Supreme Court judges are indeed influenced by this assumption. But in fact the debate is a false one. It is doubtless true that more or better schooling for children cannot by itself change the inequalities which infect our society. A united attack on economic inequalities—tax policies, housing policies, welfare policies, and so on—is clearly as important as achieving equal educational opportunity.

But the schools do have a role to play in life chances, even in the absence of broader social change. There is scarcely a parent in this country who would tell his child that it doesn't matter whether or not he goes to college. The record of high school drop-outs who end up in dead-end jobs is also clear. And certainly no professor could argue that the life chances of an illiterate are very great. Even if the hope of mobility through schooling seems to be an illusion in large statistical terms; it is an "illusion" that works for many individuals.[1] As long as there are so many examples of people who seem to benefit from school — in breaking through race and class barriers or, for that matter, in maintaining them—our educational beliefs will not change.

We should not overlook the fact that income redistribution is not necessarily the prime aim of education. It would be healthy, for example, to support schools (and equal access to them) simply because intellect and understanding can be nurtured there, and because a chance for learning skills should be freely available to all.

> "It is difficult to believe that if the children of Texas had a free choice, they would choose to be educated in districts with fewer resources, and hence with more antiquated plants, less experienced teachers, and a less diversified curriculum. In fact, if financing variations are so insignificant to educational quality, it is difficult to understand why a number of our country's wealthiest school districts, who have no legal obligation to argue in support of the constitutionality of the Texas litigation, have nevertheless zealously pursued its cause before this Court."
>
> Justice Thurgood Marshall
> U. S. Supreme Court
> Dissent, **San Antonio** v. **Rodriguez**
> March, 1973.

[1]There is, in fact, considerable evidence stressing the economic value of education. Viewing investment in education as "investment in human capital" many economists have used a strict cost-benefit analysis to emphasize the importance and value of education. For further discussion of this perspective, see: **External Benefits of Public Education: An Economic Analysis**, Weisbrod, 1964; **Education and Poverty**, Ribich, 1968; **Investment in Human Capital**, Schultz, 1971; **The Economic Value of Education**, Schultz, 1963.

Another body of research brings into question the relationship between the amount of money spent and the quality of education offered. One of the first research projects to start this discussion was done by Professor James Coleman for the U. S. Office of Education in 1966.[2] His report, which examined the situation of poor and minority children in school, concluded that family and social environment evidently weigh more heavily in determining educational achievement than anything the school does, or how many resources it has. Other publications have carried this "resources and quality" argument further.

On this issue the reality of many school situations has been obscured. Many Southern school districts, for example, still spend less than $400 per pupil each year, and nobody pretends that the lack of money is unimportant to quality. When textbooks are ten years out of date, libraries are non-existent, choices of what to learn are limited, the cost of school breakfasts and lunches makes them unavailable, teachers are undertrained and underpaid, then the poor quality of education is clearly related to inadequate funds. It may well be true that, beyond a certain point, the improvement of the learning process depends on many other factors which school money cannot buy. But until all schools get at least to that point, it is cruel to suggest that money does not matter. Few parents in wealthy suburbs are going to take seriously the notion that they can give up their higher levels of spending without reducing the quality of their children's education.

Nor should we get trapped in the notion that educators can never change. There is ample evidence that specific school programs can work for low-income children even when families and environment are disadvantaged.[3] Even though some statistical studies may indicate that money has not always been wisely applied, this, obviously, does not have to be the case.

It should also be noted that much of the data used in social science to determine "achievement", and the relationship of money to results, are based on achievement test scores. This measuring tool is clearly suspect; the interplay of human factors involved in education is a murky field of research at best. It would be foolish not to support helpful research into all these issues, but social scientists with limited tools cannot produce all our answers or commitments.

The question of whether more money really leads to better education is surrounded by

[2]Coleman, James S. et al, **Equality of Educational Opportunity**. Washington, D. C., U. S. Government Printing Office, 1966.

[3]Such research is continually catalogued at the ERIC Center for the Education of the Disadvantaged, Columbia University, New York.

"Whatever it is that money may be thought to contribute to the education of children, that commodity is something highly prized by those who enjoy the greatest measure of it. If money is inadequate to improve education, the residents of poor districts should at least have an equal opportunity to be disappointed by its failure."

Coons, Clune and Sugarman
Private Wealth and Public Education
1970

another money problem: education already uses up a large share of the nation's resources. The price of public education has tripled since about 1960; the bill still seems to be rising about ten percent a year.

Part of that stupendous rise in school expense is due to the fact that we are trying to educate more children (both a larger population and a larger percent of the population in school longer) but more important causes are higher costs of instructional materials, salaries, fringe benefits, building construction.

Many taxpayers are not convinced that such increases have produced much improvement in education, and although it is likely that there are some who would be willing to bear larger tax loads if they could see dramatic improvement, the sad truth is that many more are simply concerned about the growing size of the total education bill and its effect on their taxes. This attitude—especially evident outside the South where costs are already high—can be seen in the rejection by voters of school bonds or school tax increases in recent years.

Serious predictions about the next decade indicate that costs may not keep going up at such a steep rate. Inflation, of course, will doubtless be a devastating problem for some time to come. But enrollments should go down due to the decline in population growth. Teacher shortages, moreover, are pretty much a thing of the past. One can even hope that new attention to efficiency and better school management could help bring costs down.

But, even so, the cost controversy will not disappear. Many proposals to make schools more equal involve raising the total financial investment. Opposition to such proposals can be expected from many and varying quarters.

"In recent years the growing scope and rising costs of education have so overburdened local revenues that financial crisis has become a way of life for many school districts."

President Richard M. Nixon
State of the Union Message
January, 1969

There are those, for instance, who would expect all increased investments to go simply into teacher's salaries. Others — more wealthy taxpayers — would object to paying more than what they see as their just share of taxes.

More sophisticated critics, disillusioned by what they see as the past failures of institutionalized education will argue for more diffuse, more varied, less expensive methods and object to reforms which seem to entrench the institution more deeply.

Such criticism is often valid but it can be a dangerous indulgence. There is no doubt that education is both more effective and enjoyable in some of the small demonstration experiments, and such experimentation should continue for its learning value. But to deprive the large numbers of low and middle income children in this country of public education in favor of sophisticated alternatives, which would drain away official energies and funds to organize them, would be to further rob the poor to benefit the rich. Our commitment should be directed toward equalizing and improving the present system which represents a public obligation.

"Inequities in the provision of a service as fundamental and as universal as education demand justification, not because they 'cause' educational harm, but rather because they represent a continuing political insult, a declaration that the poor are not entitled to as much of the larger community's educational resources as are the rich."

Kirp and Yudof
Yale Review of Law and Social Action
Winter 1971.

In short, equalizing school finance will not guarantee social or economic equality. But a commitment to equal educational opportunity is a key piece in a large puzzle.

The question of equalizing public school resources is a moral and political issue as much as an educational one. The goal is justice in the distribution of educational funds in a country that strives to be a democracy. As long as there is a large and important public education institution, its benefits, however imperfect, should be equally available to all children.

We do not need to prove that withholding public funds from a group of children changes their life's earning capacity in order to uphold the constitutional principle that they shall not be discriminated against. Nor do we need to show the obvious benefits received through schools by all classes of students, to argue for more equitable funding.

If we believe in an open society, in which all races and classes have the same chance at formative experiences, in which a parent's social standing and wealth do not dictate a child's expectations, then we must support not only the public schools as a system, but the even-handed raising and spending of money within them.

Chapter II
Equity and Equality: Some Definitions

Any discussion of financial equity in education quickly runs into problems of definition. Some people, in fact, oppose the whole effort to achieve parity because they think that it has to mean the same **outcome** for every child, a bland sort of middle ground, or the lowest common denominator.

Actually, financial equity means something quite different. It begins with the idea that the accident of birth into a property-rich school district should not entitle a child to more educational resources, and thus an advantage unrelated to his abilities. This is the concept of a "wealth-free" or "fiscally-neutral" school system. It is the minimum standard of equity. Beyond that fundamental notion lie higher standards of equity, concerned with making equal resources available to each child, or compensatory education to those who need it, or more money to schools in high-cost areas.

A key point to understand here is the difference between **inputs** in education and the **outcomes** of education. Inputs are simply the things that a child brings with him in the first place (family background, social environment, experiences) plus the things that are made available to the child for learning purposes (teachers, classrooms, curriculum, equipment, trips, books). The outcomes are the results, usually measured by such tangible instruments as achievement test scores or future income, but sometimes also thought of in terms of opportunity or training or happiness. Both sides of the input-outcome equation can be considered in designing a more equitable system. There are several possible approaches, all of which would meet the minimum test of "fiscal neutrality."

ALTERNATIVE DEFINITIONS OF AN EQUITABLE FINANCE SYSTEM

ONE SCHOLAR-ONE DOLLAR: EQUAL DOLLARS

Some people think that a simple dollar equity would be fine; every school and every school district should have exactly the same amount of money to spend on each pupil. One trouble with that argument is that a dollar buys different things in different places. Another trouble is that different children need different resources. If a large rural school system needs more buses to get its children to school than a small town district does, it ought to have more money to get "equal"—**i.e.**, to buy more buses. If a school district has many more bi-lingual children living in it who need more expensive teaching, it should have more money to get "equal"—**i.e.**, to teach in two languages. If a glass of milk for a child is cheaper in one place than another, that should be taken account of as well.

TAX EFFORT EQUALIZING: "FREEDOM OF CHOICE" OR POWER EQUALIZING

This definition is based on the present system of letting local jurisdictions decide how much education they are willing to pay for above a minimum guaranteed level. Under this arrangement, school funds would be equal among districts which voted equal tax rates. The money received by one district would be no more or less than others at any given rate of tax effort. To achieve this, the state or federal government would have to give funds to the poorer districts which cannot raise the established amount of return for a given tax effort, and take away (recapture) money from the richer districts which raise more than the established amount of return for the same tax effort. But the adult taxpayers in each district could choose (by the local tax rate) a lower or higher **level** of resources on this equalized scale.

EQUAL OFFERING

This definition concentrates on the resources available to each child, taking account of different prices (such as between cities and rural areas) and of different kinds of needs (such as equipment for handicapped children). The idea is that the starting point should be equitable for each child. It should not be a function of the wealth of the local district, nor of the moods or

aspirations of the local taxpayers, nor of the vagaries of a local economy.

ACHIEVEMENT EQUALIZING

This more ambitious idea says that we should set levels of reading, computing, and other general knowledge and see to it that each child comes up to that standard before our school obligation is ended. We should spend on each child whatever it takes to reach a certain outcome. While this sounds like an extravagant goal, some steps are now being taken toward it; the distribution of compensatory education money to disadvantaged children means that more resources are given to children who bring less with them to school. Also, some states, for example, California, are beginning to accept achievement standards as a public obligation.

WHERE EQUITY CAN BE MEASURED

Whatever standard of equity is chosen can be applied in different places within our national education system. This pamphlet is chiefly concerned with equity among school districts within each state, but there are three levels of school finance equalizing which require attention: equity among schools, equity among districts, and equity among states.

EQUITY AMONG SCHOOLS

The idea that resources **within each school district** should be fairly distributed among individual schools first arose during the early struggles for desegregation, when it was obvious that schools which black children attended in the dual school system in the South were being cheated in favor of the schools which white children attended. This provided one additional reason for mixing the children: part of the theory was that with desegregation the white parents would add their support to see to it that all schools had more adequate resources. This sometimes happened, in fact, although in both North and South numerous examples still exist of schools attended by minority children which have fewer resources.

However, racial desegregation, even where accomplished, did not change the problem of economic class divisions. Especially in large cities, some neighborhoods frequently continue to have middle-class black and white children attending schools with more resources and low-income students attending schools with fewer resources.

Some school boards thought that Title I of the Elementary and Secondary Education Act of 1965 (which provides Federal compensatory education funds) would solve the problem of parity. They thought that they could simply use the federal money to bring spending in schools in low-income neighborhoods up to the level of those in upper-and middle-income neighborhoods. This is actually illegal. Federal legislation requires that children in each school receive equal amounts of **state** and **local** resources first, and then get a special supplement of federal money because of their extra disadvantages. This legal provision is known as the "comparability" requirement.

This very fundamental reform, equalizing the spending of money among the schools in a given district before using federal money, is proving quite difficult to achieve. Some of the difficulty is due to problems of measurement: how are resources to be compared? Part of the answer may be to treat school spending in basic categories: no school may have all the experienced teachers, while others have all the first year teachers; no elementary school may have significantly more textbooks or library books per pupil than others.

One of the chief difficulties in meeting comparability requirements up to now has been the difficulty in getting information. Schools have operated for years without any clear data on what is spent in each one. But beginning in 1973, Title I requires that such information be reported for each school.

A number of lawsuits based on misuse of Title I funds have recently been filed, and the first successful landmark comparability decision was in a small district in New Mexico. A round of new legal cases, within individual school districts, is expected over the next few years.

EQUITY AMONG DISTRICTS

Even if the schools in each district were spending money equitably among all the children, the **problems of the poor school district and the high-cost school district** would remain. School systems in the same state are able to spend vastly different amounts of money on their children, depending on their resources and costs. These money differences result in great differences of real resources: books, supplies, curricular offerings, teacher salaries.

Over the past few years, a lot of attention has been given to the possibility that these differences between districts are unconstitutional. Considerable attention has also been directed to legislative and administrative remedies for these disparities.

EQUITY AMONG STATES

If eventually states should reform school support within their own borders so that rich and poor schools and districts have an equal claim on education funds, we would still be left with **the problem of rich states and poor states.** This matter is of particular importance to Southern

states, which have the lowest income averages of any region. School spending in some Southern states ranges around $470 a student, while other states can average up to $1,000. Even though they may tax themselves as rigorously as other states, poorer states cannot support education as generously.

A few people believe that the way to equalize spending among states would be to make education a federal function. Others have begun to work out ways of "compensatory funding" to poorer states which would not make such a drastic change in the basic system.[1] While the possibility of moving to true national equity seems to lie well off in the future and is beyond the scope of this pamphlet, it is, nevertheless, a logical extension of equity arguments.

SETTING A GOAL

Equal dollars is a totally inadequate concept, and **tax effort equalizing** leaves too much latitude in the hands of local taxpayers to decide the fate of children. What about a retirement community which had just a few children, and no interest in quality education? Should we allow them to downgrade the offering for the children of that district? What about the communities (and there are still many of them) where school board members send their children to private schools and seek only to have the most minimal public school system with the lowest possible taxes? A flexible scale (unless it has a very high minimum guarantee) denies the rights of children even when it is not based on wealth.

But the more ambitious plan of investing in high achievement standards for all children deserves continuing consideration. Parents and public officials might well begin to ask educators for the kind of information and accountability that would make such a plan possible. And they should certainly build into state support plans some experimental programs moving in this direction.

Our bias in this pamphlet is in favor of a true **equal offering** standard as a goal for school finance reforms over the next few years. That is, the educational resources available to each child should be equal, taking account of cost and need differences.

In summary, the basic focus of this pamphlet is how to assure that each school district in a state provides an equal educational offering to each child, i.e., equal resources after taking account of differing costs and individual needs.

[1] Title I of the Elementary and Secondary Education Act of 1965 already demonstrates this idea in a small way. The formula for distributing the funds gives extra benefit to states whose education spending is below the national average. Other new proposals for federal aid to poorer states are discussed in Chapter VI.

Chapter III
How The Education Finance System Works

Before considering how to get more equity in educational finance, the way the system as a whole works must be understood. Also, differences from state to state need to be explained so that local people can plan their own strategies for the changes they want.

First of all, two issues must be separated. Public schools in every state are paid for by a combination of taxes imposed on the public: a **money raising system.** Each state then has an entirely distinct system of **money spending** on schools. Both parts of the system need to be reformed for more fairness and equity, but each part must be studied separately.[5]

Second, it should be remembered that there are considerable differences among state systems. Each divides its districts differently; each has its own way of financing schools; each has a degree of wealth or poverty and a degree of urbanization and industrialization which makes a difference; each has an administration more or less involved in the political processes of the particular state. The common schools have less in common than we tend to think.

This chapter will first describe the administrative arrangements for governing schools in Southern states, then the systems for raising money, and then the systems for spending money.

GOVERNANCE AND ADMINISTRATION

Responsibility for providing public schools rests most directly with state governments in this country.

In order to carry out their responsibilities in education, states have created school districts. Generally, either an elected or appointed school board has the governing power for education and provides for the administration of the school system. However, in many areas, the actual raising of money for school purposes is the responsibility of a local unit of government such as a city or county. Nevertheless, because school boards have great value in the American education system and because they are local, many people speak of "local control" in education as if it were an absolute right occupying a sanctified position. However, the issue of local control is much misunderstood. State boards of education and legislatures exercise important educational powers. Indeed, legislatures create local school districts which they can abolish, re-create, or change at any time.

And there are other powers which states generally exercise regarding education:

- States set the geographic boundaries of school districts, and determine how school boards are to be appointed or elected.
- Many Southern states set limits on the amount of taxation which can be imposed for education, and many require localities to raise "matching" sums of money toward the state finance program before they can raise "supplementary" money to spend on programs of their own choice.
- State legislatures set priorities in their additional programs of categorical aid: they fund various combinations of vocational education, special education, driver education, nutrition, etc.
- States set salary scales for teachers, and certification requirements which determine the training of people that local districts can hire.
- States frequently determine the approved list of textbooks which schools may buy.
- States establish the number of days, and sometimes the hours, of schooling.

But in addition to the powers which the states hold onto, there are further limitations on local boards. For example, courts have exercised power under the U. S. Constitution to limit ac-

[5]Many people, including newspaper writers, fail to make the distinction. Thus a headline announcing a recent Supreme Court decision said "Property Tax Upheld." The validity of the property tax (a money-raising scheme) was not an issue in the case. What was to be decided was whether a state could be required to provide equitable school financing, taking into account the disparities in property wealth among its districts with or without property taxes.

tions of school boards which deny racial equality or the basic rights of students or teachers. In addition, the academic standards of colleges and the requirements of college entrance tests often define the subjects which must be taught in high schools. A more recent restriction comes from the organization of school employees into unions which affect the budget options of school boards.

Another basic kind of control is denied to districts with low property value; they are too poor to have any choice about the school funds that can be made available.

Thus it is clear that what is commonly called "local control" is, in fact, a shared control. Local districts can arrange referendums for additional tax money to support new programs. They can hire and fire personnel, within limits. They can provide (or not provide) lots of extras: sports, clubs, band uniforms, art supplies, trips. They can transfer students to different schools, decide whether to provide school buses, group and regroup students for different purposes, and, within bounds, suspend students. They can heavily influence the quality, tone, and spirit of schooling in their community.

Perhaps the most critical aspect of local control lies in the intangible area of leadership. In districts where superintendents are appointed, this choice is probably the single most important act of a school board. The possibility of responsiveness and openness to local ideas and parent wishes is the unique virtue of the American school system, and is a continuing responsibility of both the local superintendent and the local school board.

HOW THE MONEY IS RAISED

School districts typically get money from three levels of government: federal, state, and local.

The division of the school bill among these three sources differs greatly from state to state. Nationally, local governments pay about half the bill, but averages don't tell the whole story. Compared to the rest of the country, Southern states make fairly high contributions, and receive particularly large amounts of federal money.

LOCAL TAXES

The local share of school money is usually paid by taxes on property within each school district.[6] Controversy over property taxes has heated up in recent years, as localities have to keep raising the rates to cover increasing school costs. It is probably the least popular of all taxes.

Actually, Southerners pay less in property taxes than do citizens in other parts of the country. This is partly because state governments and federal programs pay more of the South's education bill; it is partly because the South just spends less money on schools. The usual political decision in the region is to keep property taxes low. All property tends to be valued at less than market value, but the level of assessment, by law or practice, will vary for rural land, industrial property, natural resources, and in some localities for commercial property. In the South, property is frequently assessed at values even lower than the national practice; agricultural farm land is valued at a lower rate than in the plains states, for example, and single-family homes are valued far below the national average assessment. Some Southern states also provide general homestead exemptions, and it is the tax on houses that usually causes the greatest resistance.

TABLE A

Sources of Revenue For
Public Schools, Southern States, 1970-71
Percentage of Revenue Receipts

State	Federal	State	Local & Other
Alabama	18.9	60.5	20.6
Arkansas	18.5	44.2	37.3
Florida	10.6	55.0	34.1
Georgia	10.9	54.7	34.4
Louisiana	14.3	56.2	29.5
Mississippi	28.1	47.6	24.2
North Carolina	15.0	66.2	18.8
South Carolina	17.7	56.3	26.0
Tennessee	14.6	44.5	40.9
Texas	9.1	47.9	43.0
Virginia	10.5	33.8	55.8
50 States & District of Columbia	7.2	40.0	52.8

Source: National Education Association, **Estimates of School Statistics, 1971-72**

Property taxation could be greatly improved to become more acceptable. For example, states could appoint and train independent assessors who would be less vulnerable to local pressures than untrained, elected officials. Consistent and proper assessment standards could be enforced to iron out the huge variations which now make the system unfair. Some states already have laws that give relief to elderly people with fixed incomes, or to both renters and low-income home owners. The scandalous underassessment of valuable timber, oil, and coal lands, as well as corporate agricultural land, could be corrected. Many states already practice one or more of these improvements.

In short, the local share of the school bill is paid through property taxes, which are not so

[6] In Louisiana and Tennessee, substantial amounts are raised from county-wide sales taxes and from severance taxes. A severance tax is charged to those taking natural resources out of the ground, and is often used in places rich in oil and natural gas to raise local funds.

heavy in the South, but are greatly in need of reform, and which inevitably produce an uneven and usually inadequate base of funds for education.

Some definitions of terms

Local Effort means the rate of taxation which a locality is willing to levy on itself for school funds. There is usually a minimum required by the state, but a locality can choose to make more tax effort—that is, to levy a higher tax on each dollar of property value and to insure that valuation of property is realistic.

Local ability, like **local wealth,** means the value on which taxes are based. If a district has many profitable industries, rich natural resources or expensive homes the property values will be higher. The school tax is usually based on property value, but could also be based on personal or corporate incomes.

STATE TAXES

Since state governments spend more on education than any other social service, how they raise their tax revenue is very important. It is even more important in the South, where the states carry a more than average share of the education load. The fact is that the taxes used by most Southern states not only put a greater burden on poor people, but do not take advantage of many available resources.

A state's total tax policy normally determines where school money comes from. In most Southern states, education money comes from the general state treasury, rather than any special fund.[7] State funds come from the following sources:

1) The major state source of revenue in the South is the sales tax.[8] This consumer tax hits poor people the hardest. It is generally considered a "regressive" tax, since poor people spend a higher proportion of their income on consumption items subject to sales tax than do the rich.[9] But it seems that the poorer the state, the greater its reliance on such taxes. Mississippi, for example, which has the lowest per capita income in the nation, raises more than 47 percent of its taxes this way — far above the national average of 29 percent.

Some states ease the regressiveness of this form of taxation by exempting food and medicine from the sales tax. In the South, only Texas and Florida exempt both; Virginia and North Carolina exempt medicine only. Louisiana taxes both at a lower rate.

Some states also improve this tax by giving a credit or rebate on income tax for sales tax payments. Southern states have lagged in this reform (Georgia now allows a credit for low income families, but has not seen fit to pay a rebate where income is too low to require income tax payment.) The net result is that in Southern states, with their generally lower incomes, people pay a higher share of their incomes through these regressive sales taxes.

2) On top of this heavy dependence on regressive taxes some Southern states make little use of progressive personal income taxes. Only Virginia and North Carolina approach or exceed the national average of revenue from this source. Texas and Florida have no personal income tax at all, and the tax in Tennessee is insignificant.

3) Taxes on business generally have lagged in the South, a reflection in part of the effort to attract industry. Corporate income taxes are imposed at about the average national rate, but the total business tax structure has favored business relative to individuals and families in order to subsidize growth.

4) Finally, states charge fees for many different kinds of services (licenses, highway tolls, etc.) Southern states get from ten percent to 23 percent of their income in this way, about the national range.

Thus the major share of school money in the South is raised by states from tax sources that do not do nearly enough to distribute the burden fairly among all the citizens.

FEDERAL TAXES

The share of school money that comes from the federal government, which is generally small but especially significant in the South, is not paid by any specific fund, or tax, but from general treasury sources. This means chiefly from the federal income tax, which is considered the most progressive current tax.

HOW THE MONEY IS DISTRIBUTED

STATE AND LOCAL FUNDS

Originally, of course, local money was the only form of school support. But in the twentieth century the states came into the picture, undertaking their responsibility to provide education by making state grants to school districts.

[7] Some variations are Alabama (which raises all its school money through a statewide property tax and fifteen other small taxes specially earmarked for education purposes), Louisiana (which raises two-thirds of its school funds through earmarked taxes), Tennessee (which earmarks certain sales and tobacco taxes to provide 87% of its education money) and South Carolina (which earmarked a liquor tax for schools until recently).

[8] Information on state taxes is taken from Dr. Eva Galambos, **State and Local Taxes in the South, 1973.** Southern Regional Council.

[9] A "progressive tax", in contrast, is based on ability-to-pay. The rate increases as income increases.

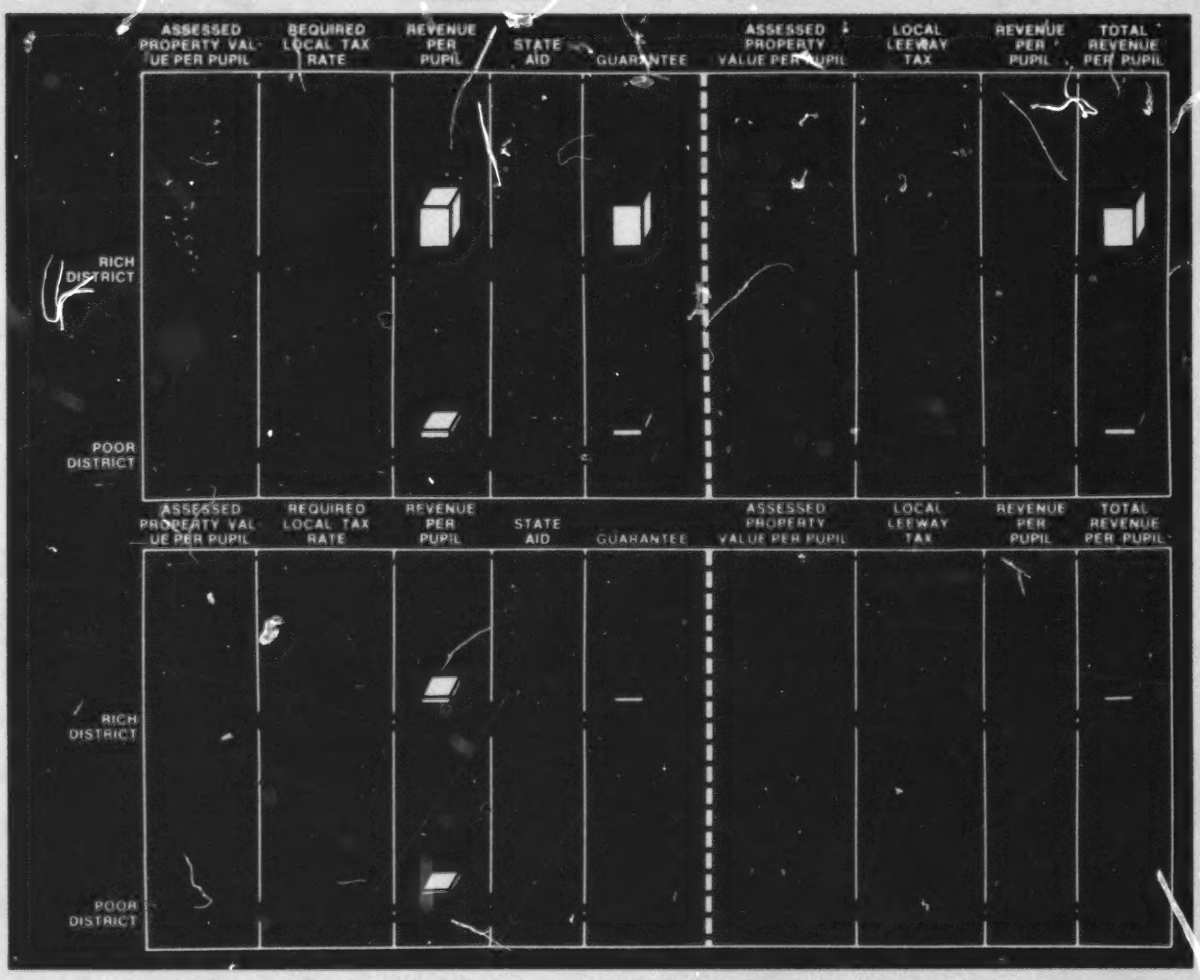
The first principle was a simple one: a number of dollars for each child, or each teacher in the district. Thus, there would be a minimum guarantee, a **flat grant,** for every student. Gradually, however, many states came to realize that this system didn't take account of wealth differences —poor districts couldn't add on as much as rich districts no matter how hard they tried. Thus the idea of **equalizing** grants came along.

The pioneers of equalizing school finance were George Strayer and Robert Haig, who in 1922 worked out a formula that goes like this: (1) each district must tax at a certain level; (2) each district is entitled to a certain amount of money per pupil; (3) if the local tax does not raise that per-pupil allowance, the state makes up the difference. This became known as a minimum foundation plan (MFP). Each district is able to raise the same amount of funds per pupil with the same amount of effort up to the guaranteed minimum. To that point it is an equalizing arrangement.

The minimum foundation plan (MFP), however, allows each district the right to add other funds. It must first contribute its taxes to the MFP up to an established level, usually quite minimal. After that, "local leeway" (sometimes called enrichment or supplementary funds) allows the district to tax itself and spend whatever it wishes in addition to the basic requirement. Thus the rich district still has much more ability to exceed the minimum than does the poor district. Where the required tax rate is very low obviously the opportunity for "local leeway" and the resulting inequality is much greater.

By now every state plan has been revised

FIGURE ONE: TWO STATE PLANS



NOTE: Where state and local guarantees are low, local leeway becomes of greater importance. But, the inequities will be greater because local leeway funds reflect the wealth disparities among districts.

and amended in many ways, so that the systems are sometimes exceedingly complicated.

Three Southern states still use a flat grant formula (North and South Carolina and Arkansas), but they make some variations in the payment. For example, although they pay the salaries of a given number of teachers per classroom they provide more teachers for a high school than an elementary school, or twice as many teachers for special education classes.

All the other Southern states use a form of equalizing Minimum Foundation Plan. Some of them, like Georgia and Tennessee, have frozen the dollar amount which can be collected from local taxes, so that the state share of the guarantee gets higher and higher, and the plan becomes somewhat more equalizing. In Georgia, some of the poorest rural districts contribute nothing toward the MFP. This means that the richer districts (frequently the cities, which are deceptively "rich' in property, but overburdened in other ways) subsidize the poorer districts without much consideration of costs or educational needs. Dependence on a minimum foundation plan may also mean that some school boards, those with more interest in low tax rates than in the needs of children, can run a pathetically minimum level of schooling without supplementary local effort at all.

Most state plans have been amended over the years so that in addition to the basic MFP for operating funds, there are different kinds of flat payments for special purposes. The Special Purposes Grants are always for a specific program, such as driver education, or textbooks.[10] They are nearly always based on the number of students enrolled in the special program, and no attempt is made to consider the wealth or ability to pay of the local district. These grants are usually for a much smaller total amount than the MFP operating funds.

FEDERAL AID

The federal investment in elementary and secondary education is a fairly recent development, really beginning on a significant level in the late 1950's. It is a small share, although it occupies the headlines enough to seem larger. In 1966, federal money paid eight percent of the public school bill, the largest percent ever. Since then, the share has shrunk to seven percent or less.

Federal aid is legislated to meet particular nationally recognized problems and can be spent only on specific programs. Thus, Title I of the Elementary and Secondary Education Act of 1965 provides over a billion dollars a year in compensatory education money for poor and low-achieving children. Vocational education support and aid to "federally impacted" communities [11] are the two other largest items of federal assistance.

There are still many who argue that the problems of poor schools and poor students must be solved through federal funding. It is only in the last few years that the system which itself produces the inequalities--the system of raising and distributing state and local money—has been challenged.

Thus the major elements in typical school finance systems now are: 1) A division of the state into school districts, with a local school board, for administrative purposes; 2) A combination of state, local and federal taxes to raise school funds; and 3) A distribution of funds which guarantees some minimum amount of state support for each child but which also takes into account how much effort local taxpayers are making and is closely related to the wealth of the district, all supplemented by some federal money to help meet specific national goals.

[10] See Appendix C and D for charts of state aid in the South. The common special purpose or categorical grants in these states are for special education, vocational education, adult education and school lunches. A few Southern states have established public kindergartens. Some states, outside the South, provide compensatory education for poor children, leadership and administration improvement grants, or special urban costs. One state (Maryland) funds all construction and building renovation costs.

[11] These are school districts which have larger federal installations, and therefore much tax-exempt property and the responsibility to educate children of parents who live on or are employed by the installation.

Chapter IV
How Unequal Is The Present System?

Comparison of school district expenditures within each state reveals the same fact: in every state of the union there are tremendous differences in the amount spent on each child. The accident of birth into a rich area or a poor area determines how much will be invested in a child's education.

> "Affluent districts can have their cake and eat it too; for they can provide a high-quality education for their children while paying lower taxes. Poor districts, by contrast, have no cake at all."
>
> California Supreme Court
> **Serrano** v. **Priest**
> 1971.

The table below shows the facts for Southern states.[12]

TABLE B

Total Elementary and Secondary Public School Expenditures Per Pupil, By State, 1969-70 School Year

State	High District	Ninetieth Pupil Percentile[a]	Low District
Alabama	$580	$473	$294
Arkansas	1,005	512	294
Florida	1,036	824	582
Georgia	735	706	364
Louisiana	922	730	499
Mississippi	825	541	321
North Carolina	732	675	467
South Carolina	610	562	397
Tennessee	774	629	315
Texas	11,096	668	197
Virginia	1,159	776	441

a/The ninetieth pupil percentile is the expenditure level at which 10% of the students in a state have more spent on them than that amount. It is commonly used as a "top" figure for "leveling up" and eliminates extreme expenditure patterns from very small or unusual districts whose spending is not typical.

Source: **Review of Existing State School Finance Programs**, Vol. 2, Staff Report Submitted to the President's Commission on School Finance (1972), pp. 19 ff., with corrections. As quoted in Robert D. Reischauer and Robert W. Hartman, **Reforming School Finance** (The Brookings Institution, Washington, D. C. 1973).

Increasing state support for education has reduced the great extremes of difference that prevailed several generations ago. At the same time, the number of school districts has shrunk; a smaller number of districts more nearly the same size tend to even out the disparities a little. But the range is still staggering. School districts spend anywhere from $300 to $3,000 per pupil, sometimes within the same state.

The Southern range of inequality is not quite as great as in other regions. This is because Southern school systems spend on the average far less money per child than other parts of the country, and the proportion of state funding is larger. There are few very rich suburban districts, spending over $2,000 per child compared to other states. Nevertheless, the differences are shocking: up to five times as much money is spent in some districts as in others.[13]

Why do these inequities exist? Since we pay for schools in part by local choice, and local taxes, it might be that districts which "care more" about education, which want to tax themselves more, are the ones which spend more. In fact, it is the degree of local property **wealth** which produces the difference, not the degree of local tax **effort.**

For example, look at a chart from a recent study of South Carolina which shows that although the poorest districts (those whose property is worth the least at market value) tax themselves at a much higher rate than the richest districts, their resulting revenue is much less; they simply cannot squeeze enough from their very limited potential to raise sufficient money.

[12]Current statistics show that there have been significant increases in per pupil expenditures in every state in recent years. The estimated expenditures per pupil in ADA for 1972-73 are: Ala. $590; Ark. $651; Fla. $885; Ga. $782; La. $897; Miss. $689; N. C. $802; S. C. $751; Tenn. $730; Texas $778, Va. $920. (**Statistics of Public Elementary and Secondary Day Schools**, Fall 1972, Department of HEW, O. E. publication no. 73-11402) The fact remains, nevertheless, that there continues to be a wide range in expenditures between the high and low districts, and between high and low states.

[13]The fact that the Southern differences are not so great as in other regions may make reform easier. The political and economic costs of reform may be lower, as there are fewer districts with a strong vested interest in preserving the advantage of their great local wealth.

TABLE C

State-Local Revenues and Tax Effort of South Carolina School Districts, 1970

Districts Grouped in Categories by Property Value (Market Valuation)	Equalized Tax Effort per $1,000 Market Valuation	State-Local Revenue Per Pupil
$50,000 or more per pupil	$2.94	$510
$40,000 — 49,999 per pupil	3.38	454
$30,000 — 39,999 per pupil	3.92	447
$20,000 — 29,999 per pupil	4.50	406
Less than $20,000 per pupil	6.63	393

Source: Joel S. Berke and Robert J. Goettel, **Financing Public Education in South Carolina: Problems and Prospects**; Syracuse University Research Corporation; October 1972.

The Texas situation has also been documented in materials prepared for a major court case. As Table D demonstrates, the richer districts, with a high market value of property per pupil, tax themselves at a rate much lower than the poorer districts (column 3) and still raise much more money (column 4).

TABLE D

Relation of School District Wealth to Tax Rates, Local Revenue Per Pupil, and Total Expenditures Per Pupil, 110 Texas School Districts, 1966-67 School Year

Market Value of Taxable Property per Pupil (Dollars)	Number of School Districts	Equalized Tax Rates per $100 Valuation (Dollars)	Local Revenue Per Pupil (Dollars)	Total Exp Per Pupil State and Government
Above 100,000	9	0.31	610	856
100,000-50,000	26	0.38	287	610
50,000-30,000	29	0.55	224	529
30,000-10,000	41	0.72	166	546
Below 10,000	5	0.70	63	441

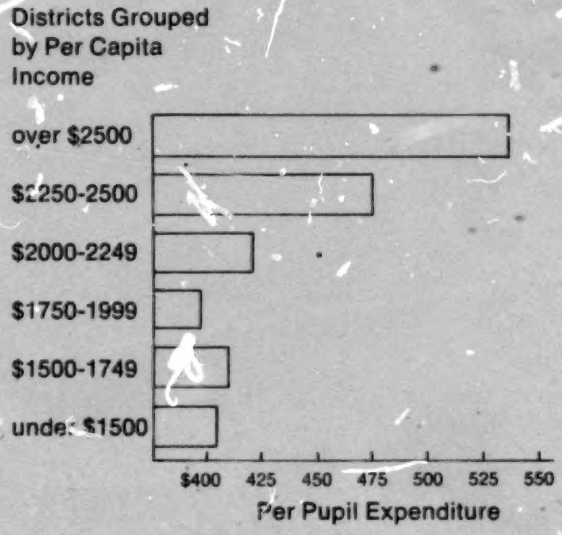
Source: Joel S. Berke, Affidavit, U. S. District Court, Western District of Texas, San Antonio Division, Civil Action 68-175-SA (1971), as quoted in Robert D. Reischauer and Robert W. Hartman, **Reforming School Finance** (The Brookings Institution, Washington, D. C., 1973).

Even in North Carolina, where the state pays a larger share of the school bill than nearly any other state in the country (which should have a greater equalizing effect), the differences remain significant: from $732 to $487 per pupil in 1969-70. And these inequities match almost perfectly the wealth of the districts.

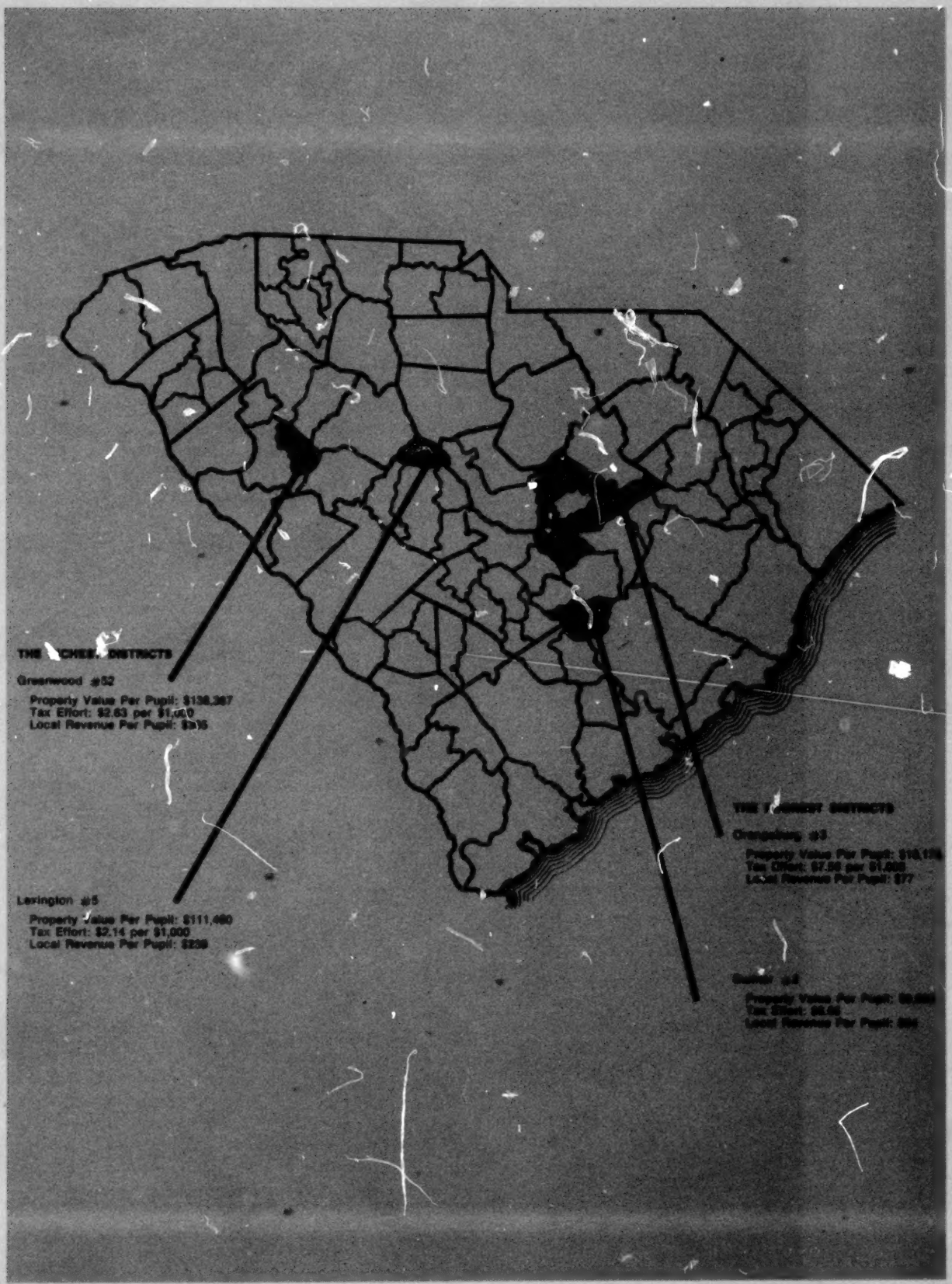
Every state that has been studied shows similar patterns. Of course, not every district taxes itself heavily. Some of the lowest spending districts are both poor and unwilling to try very hard to raise education money. But the point is that districts do not have the free choice of an adequate spending level that local control implies. They are dependent on the property value in their district. Their children's educational resources are determined by that wealth. This is the inequity that is being challenged in courts and legislatures.

TABLE E

North Carolina Total State—Local Per Pupil Expenditures, 1968-69



Source: Betsy Levin, Thomas Muller and William Scanlon, **Schools and Taxes in North Carolina**, (The Urban Institute, Washington, D.C., 1973).


Greenwood #52
Property Value Per Pupil: $138,367
Tax Effort: $2.63 per $1,000
Lexington #5
Property Value Per Pupil: $111,480
Tax Effort: $2.14 per $1,000
Local Revenue Per Pupil: $239

SOURCE: **Financing Public Education in South Carolina: Problems and Prospects**; Syracuse University Research Corporation; October, 1972.

Chapter V
Incentives To Change The System

To install a more equitable system of education finance requires the will to do so.

At the state level, the job of achieving equity among districts falls to state legislators and to the governor and state school boards. The idea that children in different parts of the state should have equal access to education is not new, nor is the knowledge that present state programs work only imperfectly toward this end. Some legislatures are working steadily to refine and improve their systems.

But during the last decade, when impatience with the schools' ability to provide a good quality of (or even sometimes adequate) education to poor and minority children burst upon the national scene, the question of legal rights has been raised more and more frequently. At the same time, the federal government (including Congress, the administration, and various commissions) has been considering an array of plans to encourage and underwrite reform. In addition, the objections of taxpayers to rising local education costs and taxes—resulting in voted-down bond issues and bankrupt urban schools—have made the need for systematic changes more and more urgent.

LEGAL CHALLENGES

Legal challenges to inequitable state education finance systems started in 1968, after the publication of some academic articles and a series of conferences among constitutional lawyers and interested groups. A couple of early state cases were rejected in state and federal district courts. Then the California Supreme Court, in a preliminary ruling on **Serrano** v. **Priest** in 1971, declared that the state's school finance scheme violated not only the equal protection clause of the U. S. Constitution but also violated similar provisions of the state constitution.

Additional suits were quickly filed in other states; within a year state and federal courts in a half-dozen other jurisdictions made similar judgments on other state systems,[14] and more than fifty additional lawsuits are in the courts. Because the State of California did not appeal the **Serrano** case, it did not go to the United States Supreme Court. But the case from Texas **(San Antonio Ind. School District** v. **Rodriguez)** was filed in federal court, and became the first important school finance suit to be accepted for hearing by the Supreme Court. In March, 1973, the Supreme Court ruled against the **Rodriguez** plaintiffs. Shortly thereafter, another important state case was decided in New Jersey **(Robinson** v. **Cahill);** that state's supreme court found that the New Jersey system of school funding violated the state constitution.

The state and national constitutional arguments are important to understand, both for what the judges in these key cases did say, and for what they did not say.

SOME CONSTITUTIONAL DEFINITIONS

The Fourteenth Amendment to the United States Constitution provides that no state shall "deny to any person within its jurisdiction the equal protection of the laws." In the course of interpreting this clause, courts have come to use several key definitions and tests:

> **Fundamental interest** means that the equal protection clause will apply to rights of basic constitutional importance to citizens, such as legislative apportionment, interstate travel, and representative juries. In these cases of "fundamental interest" the guarantees of the Constitution outweigh or forbid restrictive state actions unless the state is persuasive enough to justify such action. If a matter is not a "fundamental interest," the state has wider latitude to regulate the activity.[15]
>
> **Classification** means the way in which states group people in public policies or

[14] Minnesota, Arizona, Kansas, New Jersey, Michigan, Texas and Wyoming.

[15] Except, of course, that it may not act contrary to other constitutional standards (for example by racial discrimination) or in arbitrary or capricious ways.

laws for special treatment. For example, children are grouped for education purposes into school districts. States may make "reasonable" classifications in order to treat different groups differently, if they have some legitimate reason to do so. For example, families can be classed as poor in order to receive welfare aid. But the classification, and the different treatment, must not discriminate against the class except when justified by a legitimate state interest and must be related to the treatment or regulation the state imposes. Some kinds of classifications such as race, religion, or national origin, are thought to be always dubious, and are called "inherently suspect". States must go further to prove why they need to use such classifications. For example, the dual school system made race a classification for assigning children to segregated schools, and was eventually ruled unconstitutional.

Compelling state interest is a term used to justify a state's classification or treatment of people in a certain way. If a state's action is challenged on the grounds of using a suspect classification, or denying a fundamental interest, the burden is on the state to prove what compelling interest might be served by the action. The common state defense of the present school finance system is that it preserves the "compelling state interest" of local control of education.

> "The level of spending for a child's education may not be a function of wealth other than the wealth of the state as a whole."
>
> **Van Dusartz** v. **Hatfield**
> 334F. Supp. 870, 872
> Federal District Court
> Minnesota, 1971

THE SERRANO CASE[16]

The California Supreme Court was asked to rule on the application of the equal protection clauses of the U. S. and California constitutions to the state education finance system. Having read the factual evidence that the amount of money spent on children's schooling directly followed the pattern of wealth and poverty in that state, the court said that the state did, indeed, run a system which classified on the basis of wealth, and that this was a "suspect classification." The quality of education of the child depended on the property value and local tax revenues of the district in which he lived; the state did little or nothing to offset these local differences, but rather, allowed the state program to further them.

The court went on to declare that education is a "fundamental interest" because it is so important to an individual's ability to compete economically, because it is universally relevant, because it has such a long and sustained contact with people, because it molds the personality of youth, and because it is compulsory.

Finally, concluding that local determination of expenditure is a "cruel illusion" for poor districts rather than a compelling state interest, the Court ruled that the state system of finance would be unconsitutional if further legal action upheld the facts in the case.[17]

> "Serrano has made significant reform possible; it has not rendered it inevitable."
>
> Yudof and Kirp
> **Yale Review of Law and Social Action**
> Winter, 1971

THE RODRIGUEZ CASE[18]

When the Texas case came before the United States Supreme Court many of the Serrano legal arguments were repeated. The facts in the Texas case were similar: very great disparities in expenditure closely related to the wealth of the district—and the state did not dispute them. The state simply argued that it was providing an adequate minimum educational level for all children, and that it believed local choice of expenditure level was an important practice to continue.

By a slim majority of 5 to 4 the Supreme Court sided with the state and reversed the ruling of unconstitutionality which had been handed down by the lower federal court. It declared that education, although an important social service, is not a "fundamental interest" because it is not explicitly or implicitly declared to be so in the U. S. Constitution. The majority also found that the state does not classify on the basis of wealth, because the people living within a school district are too vague and varied a group to be considered a "harmed class." The Court was evidently persuaded as well that the importance of local control provided a "compelling state interest". However, the Court added an interesting postscript saying that Texas and other states ought to reform their present school finance systems.

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[16] Serrano v. Priest, 5 Cal. 3d 584 (1971).

[17] The Serrano case was returned to the lower court for a determination of the facts. If the alleged facts are upheld, then the California Supreme Court's preliminary ruling that the school finance system violated the state constitution would become final.

[18] **Rodriguez** v. **San Antonio Independent School District**, 337 F. Supp. 280 (1971). An excellent summary of the Supreme Court's decision in this case and its consequences is found in Linda Mathews article "Rodriguez and Friends" in the **Race Relations Reporter**, July 1973.

> "The consideration and initiation of fundamental reforms with respect to state taxation and education are matters reserved for the legislative processes of the various states."
>
> Justice Powell
> United States Supreme Court
> **San Antonio** v. **Rodriguez**
> March, 1973.

The dissenting judges generally supported the concept of education as a fundamental interest, and the unconstitutionality of classification by wealth. Three of the dissenters went even further and said that the Texas system is an arbitrary and discriminatory state action which clearly violates the Fourteenth Amendment.

> "The Majority's holding can only be seen as a retreat from our historic commitment to equality of educational opportunity and as unsupportable acquiescence in a system which deprives children in their earliest years of the chance to reach their full potential as citizens."
>
> Justice Thurgood Marshall
> United States Supreme Court
> Dissent, **San Antonio** v. **Rodriguez**
> March, 1973.

Thus there is no Supreme Court mandate at present to require reform of school finance systems, which would call for an upheaval as significant as the Supreme Court's mandate in the 1954 **Brown** school desegregation case.

There are, however, several states under obligation from their state courts to devise a more equitable system, and cases pending in many other states.

THE ROBINSON CASE[19]

This case in New Jersey is significant in that its decision was announced in April, 1973, three weeks after the United States Supreme Court decision in the Rodriguez case. The New Jersey Supreme Court rejected the application of the equal protection clause of both the national and state constitutions to the state school finance system, but found that the present system violates another aspect of the state constitution which calls for a "thorough and efficient" system of education.

Since many state constitutions, including Arkansas and Virginia, have a similar education clause, the New Jersey case leaves the door open for litigation of this kind in other states.

In the South, school finance suits have been filed in Georgia and Florida, but none seeks to bring about the comprehensive change sought in the **Serrano** case.

FEDERAL SUBSIDY

Court rulings are not the only possible incentive for change. Federal legislation could be much more specific and more far-reaching in the plans it encourages.

The political likelihood of significant federal legislation is rather low at the moment. The present administration seems determined not to increase federal spending for social services, and has only shown interest in some modest property tax reform and relief for families of children who attend private schools.

The influential Advisory Commission on Intergovernmental Relations recently rejected federal equalization incentives as well, stating that the states should manage the equalization problem and that they had plenty of available tax resources to do so.

On the other hand, the President's Commission on School Finance—in a generally cautious report in 1972—did suggest that a billion federal dollars a year be spent over five years to encourage states to take over full funding of education. Senator Jacob Javits has introduced a bill incorporating this idea in the current Congress.

There are a variety of ways in which Congress or the U. S. Office of Education could assist in working for solutions to school finance reform. They could provide public information on plans already studied and initiate appropriate new studies. And additional legislation could be considered over a wide range of solutions. For example, federal legislation could address inequalities among states as well as within states. It could provide funds to ease the states' assumption of local costs if that proved to be the most popular solution. Or it could undertake more limited aims.

- Some approaches try simply to provide tax relief, on the theory that the property tax is too burdensome. Congress could make substantially more federal funds available in existing categorical aid programs or enact a new general aid bill (raising the present federal contribution to education from 7 percent to 33 percent) so that states and local districts could reduce their tax rates.
- Or Congress could give specific property tax relief to individual taxpayers: for example, a tax credit to elderly people or low-income elderly people who pay more than a certain percent of their income in property tax or rent. Such proposals are aimed at providing a better minimum floor under education spending, and relieving

[19] Robinson v. Cahill, 62 N.J. A 2nd 273 (1973).

the inequities for certain taxpayers. They would not of themselves remove inequities based on local wealth.

- Some proposed approaches use a formula which gives more money to poor states (the number of children combined with the per capita income) or to states which try harder (more money to states with higher tax rates). This kind of program would reduce the inequalities among states, but not among districts within a single state.
- Some more ambitious plans like the bill introduced by Congressman Carl Perkins (Chairman of the House Education and Labor Committee) or the bill introduced by Senators Walter Mondale and Adlai Stevenson would reward states with low per capita income and high tax effort and give extra help to cities. A comprehensive education bill recently introduced by Senator Claiborne Pell includes a proposal to pay states ten percent of all their local education costs if they establish an equalizing plan.

Most such federal legislation proposals are introduced for discussion purposes, to create a forum for hearings and national attention. Politically they have not gained substantial support. However, if many states want to eliminate local support for education and replace it with full state funding, it is likely that the pressure would increase for some federal help to ease the transition.

CITIZEN ACTION

Citizens in any state with the political will and muscle to do so can, of course, cause state officials to back school finance reform—with or without court mandates or federal subsidies. Some states have already begun major reforms (see Chapter VIII). State officials are conscious of the need, but solutions are not always easy to design and understand.

Chapter VI
Possible Designs For A More Equitable System

To raise and distribute resources more equitably among school districts within a state requires several different kinds of decisions. Each state legislature must design its own system, and can adjust various parts to meet differing needs and priorities.

The first basic test for reform is this: **the amount of money spent on a child's education in the public schools should not be a function of the wealth of the school district.** A solution which meets this test can be designed which either does or does not include a contribution from local taxes.

The second basic test for reform is this: **the distribution scheme adopted by the state should allow for the varying educational needs of all the children and the differing costs of education throughout the state in an equitable way.**

This chapter describes the most frequently discussed basic designs for a reformed system that would meet these challenges.[20]

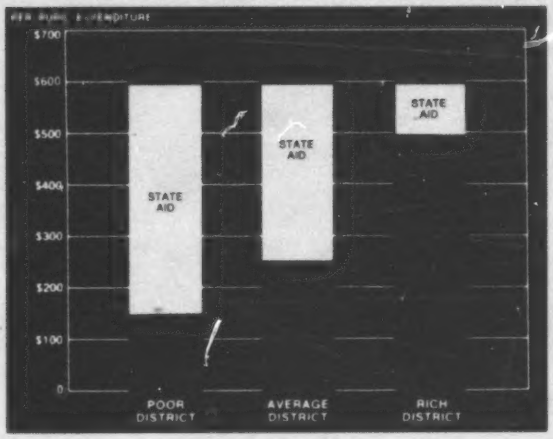
MORE EQUITABLE SCHOOL FINANCE DESIGNS

A UNIFORM FOUNDATION PLAN

A state could decide to require a uniform local property tax. It would also guarantee a fixed basic expenditure per pupil (for example, $600 per child). If the local tax revenue produced less than the guarantee, the state would make up the difference. If it were more, the surplus would go to the state treasury to help fund poorer districts.

Note that this plan does not mean that exactly $600 would be spent on each student; it is not necessarily an "equal dollars" design. The state could determine how funds would be distributed according to a formula which gives different weights to different pupil needs, and which takes account of varying costs of educational programs. But the **base** of the formula would be an equitable standard, so that the differences in expenditure would not result from the wealth or poverty of the district.

FIGURE TWO: UNIFORM TAX AND GUARANTEE



This kind of plan resembles many current state plans: it would be a Minimum Foundation Program expanded to become a Total Foundation Program. Local taxes would continue to be an important source of school funds, but there would be no local choice (local leeway) about the tax rate.

"POWER EQUALIZING" OR TAX EFFORT EQUALIZING

Another way to raise funds equitably and keep some contribution from local taxes would be to allow a district to set its own tax **rate** (to choose how many mills of tax it would impose on its own property) but then to establish a fixed number of dollars per pupil to be earned at each level of tax effort. A five-mill tax effort, for instance, would always earn $200 per pupil, regardless of actual revenue. A nine-mill tax effort might earn $360 per pupil. If a district actually produced more or less dollars than the schedule guaranteed, the state would either add enough to bring them up to the scheduled level or take

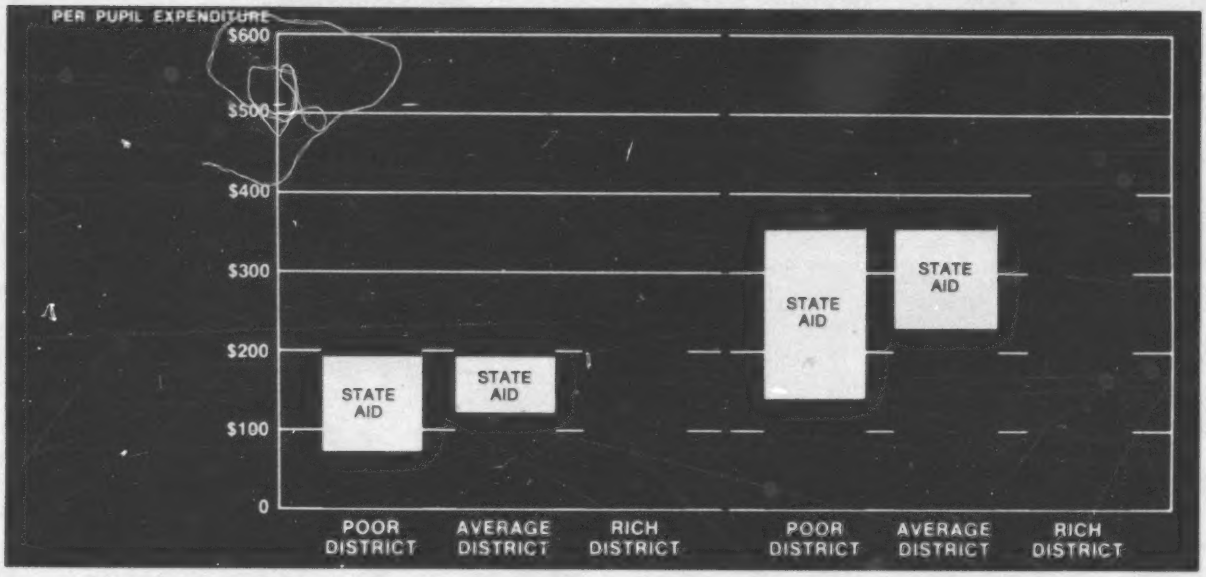
[20] For a more detailed analysis of different equalization models see "Planning School Finance Programs", National Education Finance Project, 1971.

away ("recapture") enough to bring them down to the guaranteed level.

This kind of system guarantees that everybody gets the same return for the same tax effort.

nomic development. Very often the parents of school children in such a district are not really paying higher personal property taxes themselves than are parents in less wealthy districts.

FIGURE THREE: POWER EQUALIZING OR TAX EFFORT EQUALIZING



Wealth no longer determines the results of a local tax rate. It leaves to the district, however, the choice of tax effort for schools. Because the schedule provided by the state is known in advance, each district could calculate what level of school expenditure it wished to earn, and how its own revenue would compare to the state guarantee.

As Figure 3 indicates, the state schedule for supplementary tax guarantees would likely be set in such a way that some districts would actually produce more revenue at a given tax rate than the schedule would allow them to keep. If the scheduled return on a five mill tax rate is $200 per pupil, and a district has enough property wealth so that it actually produces $250 per pupil in revenue, it would be obliged to give up $50 to the state. There are those who object to the "unfairness" of not being allowed to spend their own tax money on their own children. In fact, the high return which they gain on local property tax is not a result of any individual merit or inherent right. It is generally the circumstance of large industrial investment in their district or an advantageous expenditure of other state money (tax subsidies, road systems, etc.) which has aided the particular district's economic development. Very often the parents of school children in such a district are not really paying higher personal property taxes themselves than are parents in less wealthy districts. But even if that were the case, entitlement to public services should not be based on one's personal wealth.

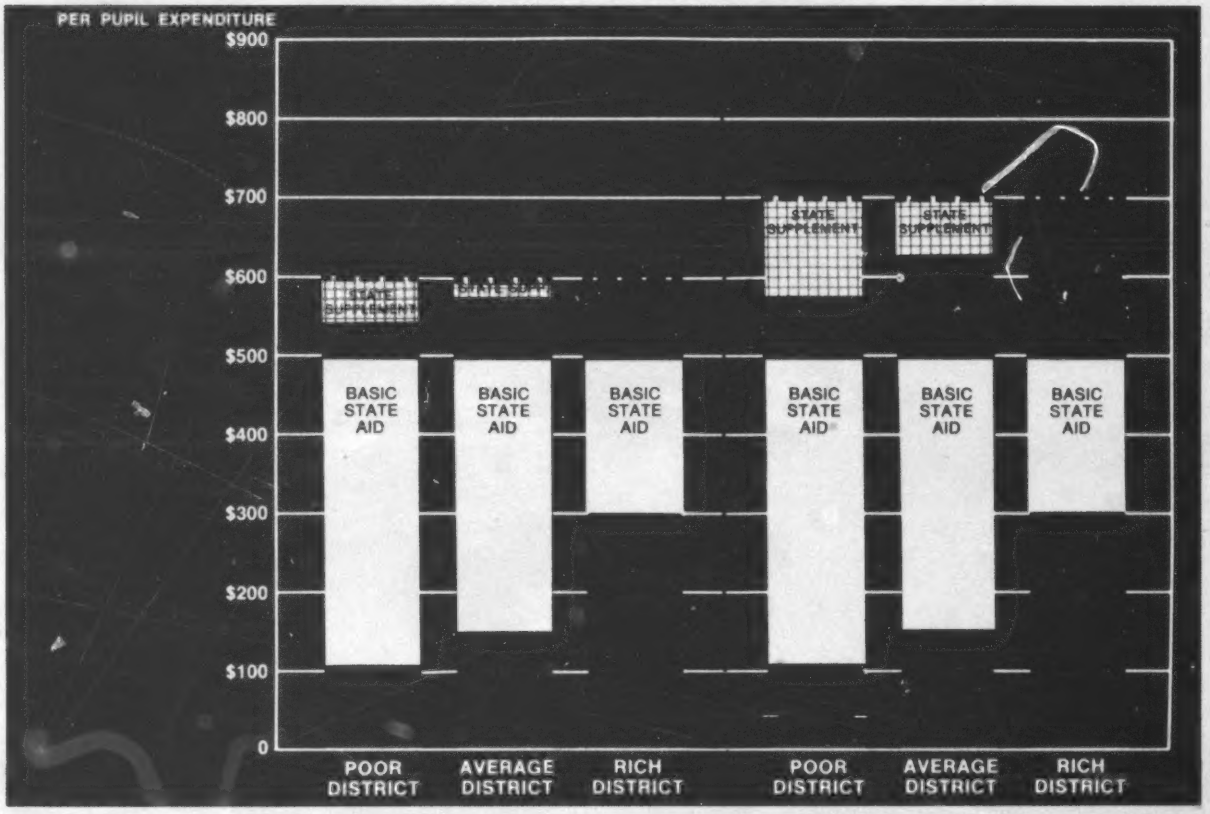
TOTAL TAX EFFORT EQUALIZING

A somewhat different version of tax effort equalizing would take account of **total tax effort,** not just school tax effort. Since urban areas generally have more services to support than suburban areas, their tax choices are more difficult. Their citizens may care as much about education, but feel that they cannot set the school tax rate as high because their tax dollars must go for other services. A variation of tax effort equalizing could thus be based on a locality's total tax obligation.

A COMBINED GUARANTEE AND POWER EQUALIZING PLAN

One of the more popular alternatives, which some states are beginning to adopt already, is to keep a local property tax contribution to school funds, using a combination of two of the above plans. The state would first require a uniform local tax and a guaranteed basic expenditure level, and then allow a supplementary tax effort, within a limited range, on a "tax effort equalizing" basis.

FIGURE FOUR: COMBINATION PLAN
State Guarantee: $500; Required Local Tax: 7 Mills.



This plan gives some assurance that districts will not fall below a minimum tax effort and will provide at least some reasonable level of education for its children. But it keeps a degree of choice, usually within a prescribed range of one to five mills of taxes, so that those districts which wish to spend more can do so equitably.

Full state funding

A different choice which could be made by a state is to dispense with the contribution from local taxes altogether, and raise the entire school budget from state taxes plus federal support. The money available to localities for schools would in this case have nothing to do with local tax effort, nor anything to do with district wealth. The test of fiscal neutrality would be met automatically.

To replace funds formerly contributed by local property taxes would require an increase in current state taxes, or the addition of new ones. Such a revision presents an opportunity to consider state tax reform more broadly; the consequences of such changes need to be carefully studied in each state.

MORE EQUITABLE DISTRIBUTION FORMULAS

In addition to its choices about a more equitable basic tax and expenditure design, a state also has choices about how to reform its distribution of school funds to meet educational needs and costs more fairly.

- The simplest, and most unlikely, formula would be based on enrollment: **one scholar-one dollar.** Since nearly every state has moved beyond such a notion already, this is not a serious possibility. Equal treatment of unequals can mock justice.

- States could establish a basic payment per pupil, and then add on more money according to special categories of need: extra funds for each low-income pupil, extra funds for each child with a special physical or emotional need, extra funds for each pupil who elects to take a (more expensive) vocational or advanced science or arts curriculum, extra funds for gifted children, and so on. This is known as a **weighted pupil** scheme.

- States could distribute money on the basis of a certain number of teacher or administrative salaries in relation to the number of students in different groups (pre-school, vocational training, etc.). This is called the **personnel unit** formula. Such a system could be expanded to include payments for other costs besides salaries, such as textbooks, building construction, or transportation.
- States could refine a formula further by adjusting their payments for **cost differences** among districts. If building maintenance costs or teacher salaries are higher in an urban district, for example, the state payment would be increased.

Devising a new distribution scheme would obviously be simpler in a full state funding program, but any of these considerations could be built into an equalized money raising scheme (such as power equalizing) by means of a complicated formula. Both a pupil needs formula (weighted pupils) and cost differentials have been written into recent legislation in a few states. Most states will probably seek a new formula to serve a combination of interests.

In summary, both halves of the money raising and money spending combination can be considered in designing new equalized finance schemes. There are many possibilities for schemes that are "fiscally neutral", but not all of them are equally desirable in terms of other consequences.

"A reconsideration of effective equality . . . . . suggests that the state's obligation to provide an equal educational opportunity is satisfied only if each child, no matter what his social background, has an equal chance for an equal educational outcome, regardless of disparities in cost or effort that the state is obliged to make in order to overcome such differences."

David Kirp
Harvard Educational Review
Fall, 1968

Chapter VII
Choosing Among Alternatives

In order for citizens to evaluate and promote reform, they need to measure various proposals against some guidelines. There are in general two major questions about the advantages or disadvantages of various changes.

1. What are the implications of changing from a shared local/state system of raising funds to full state funding?

The first and most basic decision is whether to preserve some local contribution to education funding, large or small as it may be. That decision revolves around several issues.

LOCAL CONTROL: The political matter of tying local taxation power to local education decision making is a persistent if somewhat deceptive issue. As we have seen in Chapter II, local school boards are often not as powerful nor as responsive to public wishes as "local control" implies.

> "Liberated from the necessity of 'selling' bond issues and tax rate increases, school board members and superintendents could concentrate on their main concern — improving the quality of their children's education. The long tradition of local control of education and the keen concern of parents for the educational well-being of their children would serve as sturdy defenses against any effort to short-change educational financial needs."
>
> **Advisory Commission on Intergovernmental Relations, 1969**

It also seems true that there is little connection between the source of school money and decisions about how it should be spent. The influence of a state agency over education policy is determined far more by law, regulation and individual leadership than by the power of the purse. Two recent publications illustrate this point clearly. A report of a conference sponsored by the Advisory Commission in Intergovernmental Relations includes illustrations from the Canadian Province of New Brunswick, which adopted full "state" funding several years ago without a significant change in the degree of provincial control of education policy, and is now considering giving even more control of school program and budget to local districts. In other discussions at the ACIR conference, a Maryland official made the point that Delaware, with a far higher percentage of state funding, allows more local autonomy in school matters than his own state. The Urban Institute also recently produced a study of "high state aid" and "low state aid" states in America which indicates quite clearly that where states provide most of the money for schools they do not automatically take over education decision-making. In matters such as textbook controls and course requirements there is no correlation between high state aid and strong control. Even in financial issues, such as tax limitations, budget control and teacher salaries, the pattern proved inconsistent and inconclusive.

On the other hand, there is legitimate reason for concern about placing all the decisions on financing education in the hands of state bureaucracies which in the past have so rarely demonstrated commitment to equal educational opportunity or to innovation.

In short, the "local control" issue should be closely examined wherever it is raised, and the ultimate decision based on a realistic balance of advantages.

TOTAL COST: Citizens and legislators must determine what replacing the local share of educational support would cost, and whether it is worth it.

If states take over all money-raising, they must decide on a new distribution of funds per district based on enrollment plus other needs and costs. If a proposed scheme were to mean less money for most districts, it would never be politically acceptable. It is far more likely that moving to a full state funding system would involve "leveling up" expenditures to a sum for each district

which would be near the top of the present range of district expenditures.

That spot is often pegged at what is called the "ninetieth percentile." What this means is that when all the school systems in a state are ranked by per pupil expenditure, only ten percent of the districts spend more than the ninetieth percentile district. This means bringing the majority of districts up to a higher level, but it also means lowering a small number (those above the 90th percentile) to the same level. That level is considered sufficiently high, however, to create considerable political support and to offset political opposition that might come from the wealthier districts which stand to lose funds. (See Table B, Page 17)

The total cost of replacing local school taxes with state taxes throughout the country would involve transferring nearly $20 billion. If "leveling up" to 90th percentile takes place, an additional $7 billion would be needed.[21]

States vary enormously, of course, in the total amount of educational revenue they raise from local sources. The accompanying Table F shows how the extra "leveling up" money would be spread among them.

TABLE F

Cost of Equalizing School Expenditures to the Ninetieth Pupil Percentile, by State, 1969-70

State	Total cost (millions of dollars)	Cost per pupil (dollars)	Cost as a percentage of 1970 state taxes
Alabama	44.2	57	6.7
Alaska	11.3	198	13.2
Arizona	96.7	242	20.4
Arkansas	40.9	101	11.6
California	828.1	177	15.1
Colorado	72.0	144	15.3
Connecticut	141.3	213	19.0
Delaware	34.8	296	17.8
Florida	132.1	101	9.3
Georgia	177.1	174	18.8
Hawaii	9.6	53	2.8
Idaho	36.5	214	23.4
Illinois	457.0	220	15.9
Indiana	129.2	116	12.9
Iowa	93.9	144	14.9
Kansas	76.1	153	17.7
Kentucky	63.1	97	9.0
Louisiana	61.1	79	7.3
Maine	26.2	108	12.6
Maryland	190.8	221	17.6
Massachusetts	259.1	228	18.6
Michigan	364.1	169	15.5
Minnesota	120.7	122	11.8
Mississippi	45.7	88	9.4
Missouri	125.8	140	15.3
Montana	68.5	422	53.2
Nebraska	54.8	167	21.0
Nevada	9.1	80	6.1
New Hampshire	19.6	131	20.7
New Jersey	317.7	216	23.8
New Mexico	27.3	100	10.0
New York	610.2	182	10.0
North Carolina	95.0	86	8.0
North Dakota	19.5	134	16.0
Ohio	518.9	216	30.5
Oklahoma	61.5	110	12.2
Oregon	62.7	136	14.6
Pennsylvania	504.3	220	18.2
Rhode Island	49.5	279	21.6
South Carolina	32.3	54	5.9
South Dakota	22.8	137	20.2
Tennessee	99.5	119	14.5
Texas	292.7	121	14.8
Utah	14.5	50	5.8
Vermont	24.1	208	17.8
Virginia	145.1	146	15.2
Washington	121.2	153	11.8
West Virginia	34.1	92	8.9
Wisconsin	101.6	109	7.6
Wyoming	29.1	341	34.4
All states, total	6,973.0	160	14.5

Source: Reischauer and Hartman, **Reforming School Finance** (Brookings Institution, 1973, p. 82).

Each state will have to consider whether it wants to spend that additional money to achieve a full state funding system with a leveling up provision. Would it be worth it?

For Southern states, the answer could easily be "yes".

- For one thing, overall expenditures in the South are the lowest in the country, and teachers' salaries are still far below the national norms. (See Appendix B).
- For another, the level of state funding is already quite high in Southern states, with the exception of Virginia. The transition would be less difficult. (See Table A, page 13).
- The new money would not be beyond the capacity of most Southern states to carry — certainly not for equalizing spending up to a relatively high level on their present scale. Not only are most state budgets in the South in a relatively healthy position, but state taxing capacity is generally underutilized in comparison to other regions.[22]
- Finally, the citizens total tax increase would normally be offset somewhat by a reduction in local taxes.

SIMPLICITY: One major argument used against raising a local share of education money through a "power equalizing" plan is that it is very complicated to administer. What constitutes an adequate formula to determine the exact local tax capacity is highly debatable. Differ-

[21] Robert D. Reischauer and Robert W. Hartman, **Reforming School Finance** (The Brookings Institution, Washington, D. C. 1973), pp. 44-45.

[22] Kenneth E. Quindy, **State and Local Revenue Potential** (Southern Regional Education Board Research Document, 1969, and updated in 1973. 130 Sixth Street, N. W., Atlanta, Georgia.)

ences of property assessment would have to be ironed out, and fair assessment and collection procedures enforced far more carefully than at present.[23] (If the system were changed to relate to district per capita income rather than district property wealth this particular problem might be avoided, but other problems of accurate data would arise.) In addition, some persons fear that very rich districts, which would end up subsidizing other districts with their local taxes, might prefer to lower their tax effort to a bare minimum, turning instead to private education.

A totally equalized system in which local tax rates are mandated and all funds then collected and distributed by the state according to need is certainly simpler, and has the virtue of resembling most present schemes. A total state funding scheme without any local tax contribution would, of course, be the simplest of all.

TAX REFORM: Deciding whether to keep a local share also involves a judgment *about* what kind of taxes are best. The local property tax theoretically has some considerable virtues. It is a stable and very productive tax. It is levied on business property as well as on individuals and families. Its consequences are well known. It could be made fairer and adjusted to particular exemptions. But the political difficulty of reforming the local property tax is so great, because of the vast network of vested interests and pressures already built up, that it might be more realistic to switch to new or expanded state taxes.

Citizens will have to compare the advantages of keeping a local share of aid, based on a local property tax which may or may not be reformable, against a change to state funding which would be based on new or increased state taxes (unless a federal subsidy appeared). State taxes could be either more or less progressive than the former local property tax. If the interests of poorer citizens are to be protected, then those who favor state funding should seek as progressive a state tax system as possible.

A properly tailored state income tax to replace a local property tax could be the most progressive trade-off. However, Southern state legislatures are generally unwilling to increase personal income taxes, and are inclined to rely more heavily on sales taxes which put the greatest burden on the poorest people.

One alternative under consideration is a statewide property tax. One could hope for efficient administration and uniform assessment practices under such a system, but the results would be mixed. High tax areas, such as cities, are also high cost education areas; the state formula for distributing funds would have to take this into account or cities might end up paying more and receiving less. A statewide tax could be limited to a separate state tax on commercial and industrial property which could have a high yield, but, once again, higher education costs might have to be allowed for.

Although there is much to be said for a uniformly administered state tax system, a major caution should be entered about the social results of the kinds of taxes Southern legislators may impose. The frequent failure of these legislatures to act out of broadly informed principle rather than narrow local interests means that reformers need to be alert to the potential effect of any change on income redistribution in general. It may be that the best results would come from a reform subsidized by the federal government.

ACCOUNTABILITY AND ADMINISTRATION: Another matter to weigh in the balance is whether or not some administrative improvements might result from full state funding.

On the question of school district boundaries, it would be interesting to speculate on what could happen. Perhaps more interesting and sophisticated arrangements could be worked out if money raising were no longer a local problem. For example, one might return to an age of small school districts, with true local control by staff and parents at the "feeder school" level. A larger regional super-district over many such small districts could govern joint purchasing, special centers for innovation or more expensive courses. Or, by contrast, larger or more inclusive districts could be drawn to further the aim of a more heterogenous school population and more effective school desegregation. If local tax effort were no longer an issue, the manipulation of boundaries for innovative purposes could be something to consider.

In terms of administration, local leadership would be relieved of the consuming money raising role now so necessary, and thus become accountable strictly for educational improvement.

In summary, the question of keeping some local tax contribution revolves around several large considerations: what part does local money-raising play in keeping local decision-making strong and accountable? how much would it cost to transfer local support to state sources? would moving to a full state funding system produce a simpler and more understandable system? what would be the tax consequences of replacing the local property tax? would a change from local control result in administrative changes?

All of these considerations should be debated

[23] If statewide property taxes were substituted for local taxes, the same problem would apply.

by legislators and citizens in the process of designing new systems.

2. What are the important elements of a state distribution plan?

No plan which rests on an "equal dollar" solution is acceptable. Equal dollars cannot buy equal resources in any case, as costs of material items and services differ from place to place. In addition, education needs vary greatly from student to student.

COST DIFFERENCES: Determining the costs of these differences represents a challenge, but not an insurmountable obstacle. (Legislatures already make distinctions about the costs of different programs. What is required is to bring these categories up to date, and set some continuing method of reporting and evaluating the differing costs.) A few states (notably Florida) have already begun to design plans which are responsive to need and cost differences. Reform groups should not settle for less.

MUNICIPAL OVERBURDEN: A state plan should also take account of the heavier tax burden in cities, and adjust its funding accordingly.

The problems of cities are multiple. They tend to have high property values (that is why they pay in such a large share of local matching funds in existing equalizing systems). But they usually have to pay more for everything from salaries to cement. State school construction subsidies frequently favor new buildings over the renovation of old, which gives new subdivisions the edge on older urban districts.

People who are not residents of the city use up the city's resources and skew the tax situation. A suburbanite who works in the city pays no taxes there, but he expects the city to maintain the streets that get him to work, dispose of the trash from his office wastebasket, inspect and license the restaurants and bars he patronizes, and keep criminals from bothering him. At the same time, both residents and workers expect more of the city: sewage, street lights, transportation, etc. The sum of all this extra expense is commonly called "municipal overburden" and it eats into the local tax dollar at the expense of education support. The suburbs frequently can spend more than half their tax dollar on schools; cities usually only a third.

Another weight holding down education in cities is the greater educational need of its students. There are generally more low-income students, and more students who take the more expensive vocational education courses. Central cities have a larger proportion of physically and mentally handicapped children as well, and they frequently must invest in extra child welfare services, security services or ground maintenance.

These comparisons are most significant in respect to Northern cities surrounded by suburban school districts. They are a concern in the South, but as yet a smaller one; they are no greater than the problems of the desperately poor rural counties. The answer to both is that state distribution formulas must recognize different costs and different needs, no matter what system of raising funds is chosen.

SUPPLEMENTARY EDUCATION: As long as physically and economically handicapped children need special education services, schools will need extra money to pay for them. The federal government currently provides funds for this purpose, and some states may choose to rely on them exclusively. States with a greater educational commitment are adding to the limited federal funds to produce a more effective program.

INNOVATIONS: It is frequently said — and wrongly — that an equalized program or a state-funded program would wipe out all possibilities for experiment and innovation. On the contrary, pilot kindergartens or alternative high schools or science centers or many other innovations could be encouraged through state legislation and the provision of an innovative education fund. Local school boards would retain their flexibility about how to use the funds, and the possibility for experimental programs would be available to all districts, instead of just the wealthy "lighthouse" districts.

In summary, the distribution formula chosen by a state legislature, regardless of the means chosen to raise the funds, should take account of both need and cost differences in education. The standard of "Fiscal Neutrality" in the raising of school money is a critical ingredient in equalizing education, but it must be complemented by a distribution scheme that makes equitableness truly effective.

Chapter VIII
What Next For Southern States?

School finance reform has blown up into a full-scale movement during the last four or five years to what the National Governors' Conference last year called the "most vital issue currently facing the States."

State courts in half a dozen states have outlawed existing unequal school finance schemes and ordered new plans. Similar cases are pending in more than half the rest. Governors commissions, state task forces, or legislative commissions are taking on the issue in no less than 38 states at the moment.

The National Legislative Conference, made up of state legislators, took a stand in favor of equal educational opportunity and the **Serrano** equity principle at a meeting in 1972, and distributed a guide to all state legislators on how specific steps might be pursued to meet this goal. A recent meeting of the Education Commission of the States also produced this policy statement:

1. The implications of the **Serrano** case are not only morally right, but are educationally sound; and the States should modify their systems of financial support of education to enact into law the principles enunciated in that case.
2. The States should recognize inequities where they exist within the present property tax systems and should make strong positive moves to assure that all citizens bear an equitable share of the tax burden.

At the national level, the issue received full recognition when a President's Commission on School Finance was established in 1970. Its report, released in 1972 after considerable study, seemed rather modest in its recommendations. The panel put strong emphasis on state responsibility for education, and recommended about $5 billion of federal money over a five year period to smooth over a transfer from local to state taxation.[34] In June, 1973, a bill was introduced into Congress by Senator Jacob Javits incorporating most of the Commission recommendations.

> "Ultimate solutions must come from the lawmakers and from the democratic pressures of those who elect them."
>
> Justice Powell
> United States Supreme Court
> **San Antonio Independent School District** v. **Rodriguez**
> March, 1973

Several states have recently made significant changes in their school finance systems, in some cases going for a much higher percent of state support, nearly full funding, in some cases trying the power equalizing approach, and in a few cases working on better responses to cost and need differences. Many reforms in property tax assessments, and passage of relief measures for low-income elderly people, have taken place in the last year or two as well.

Outside the South, **Minnesota** raised the share of state spending for education to 60 percent in 1972 and 70 percent in 1973, providing some property tax relief and raising its sales and corporate income taxes in the process. The **Utah** legislature upped the state share of support from 70 percent to 76 percent, and increased dramatically the total school budget; it also designed a new system that is attempting to equalize spending among districts and be responsible to differing student needs. **North Dakota** this year moved from 42 percent to 70 percent state support for operating costs. **Maryland** has been trying out a scheme for full state funding of all construction and renovation costs, and the plan seems to be working out to everyone's satisfaction. **Kansas** and **Montana** have both enacted versions of "district power equaliz-

[34] The Commission's report also dealt with a number of other changes to increase quality and accountability in education. It is listed in Appendix E, along with material from three related national sources of information: The National Educational Finance Project, the Advisory Commission on Intergovernmental Relations, and the U. S. Office of Education Task Force on School Finance.

ing"[25] schemes in recent legislative assemblies.

Several states under court order are considering the political steps to reform. In **Michigan** the Governor failed at the polls to carry his original proposal which would have instituted not only a progressive state income tax to replace the local tax for education but also an improved distribution system. He is now testing a second and somewhat less ambitious plan in the state assembly. **California** voters also had a chance in the fall of 1972 to pass a proposal which would have limited property taxes and put on a ceiling of $850 of state and local expenditures per pupil on every district. Educators and urban interests vigorously opposed that change, and it was voted down. The state legislature did increase the school budget by $2 billion, mostly directed at poor districts, but it is still working on more basic reforms. The **New Jersey** legislature is likewise seeking alternatives to the state's present system. In **Arizona** both the organization of school districts and financial support to them are targets of new proposals, since the legislature voted to abolish all existing school finance laws effective in July, 1974, and must therefore come up with an alternative by then.

Some strong leadership is emerging in states which are not yet required by the courts to change their plans. One of the most interesting cases is **Oregon** where a plan to replace local property taxes with state support raised through new income taxes and an assortment of state business and property taxes — a plan passed by the legislature and strongly supported by the Governor and most educators — was voted down in a recent popular referendum.

Colorado voters also turned down a measure to replace local property taxes with full state funding. In **New York** a proposal for full state funding with a weighted system of distribution, taking pupil performance into account and bringing all systems up to the 65th percentile of present rankings, has been put forth by the prestigious Fleischmann Commission, but has not yet had its rounds in the state legislature.

* * *

Southern states range from very active regarding education finance reform to very quiet. What follows is a brief summary of the reform movements in the eleven Southern states which lie within the area of the Southern Regional Council. Changes may have occured since the completion of our research, however, and citizens in each state need to keep up with events as they come along.

FLORIDA

The most impressive legislation reforming school finance in the South — and perhaps throughout the nation — has just been passed into law in Florida. That state had some existing advantages: school districts organized along county lines, a fairly uniform tax effort, and a substantial amount of state funding. Its school finance regulations were a complex web of amendments and details which only the most dedicated professionals could understand — a fact which probably gave special impetus to a clean sweep by new legislation.

The Florida Education Finance Act of 1973 grew out of a comprehensive study sponsored by the Governor, and out of the commitment of a number of urban state legislators for whom this issue was a major priority. It is intended to bring Florida's system in line with the standard of "fiscal neutrality" although no suit of the **Serrano** type has been filed in that state. The new plan goes like this:

- The basic foundation plan retains some local participation: 30 per cent of the total, based on a required tax rate of 6.2 mills. This aspect of the program is equalized in the traditional way. The minimum guarantee of $587 for the first year is higher than in most other Southern states.
- Additional funds can be added at the local level by voluntary taxing above the 6.2 mill required minimum, up to a ceiling of 10 mills. This local funding is to some extent "power equalized" — that is, each mill of property tax must produce a specific yield ($42 per mill per child) or the state has to make up the difference. There is, however, no provision for recapturing funds from those districts which raise more than the guarantee.
- The distribution of state funds has two major innovations in response to the idea of funding both educational needs and cost differences. First, the state discarded the idea of funding by personnel unit (so many dollars per teacher or classroom) and instead assigned new funding categories based on students: a higher value for vocational education and special education students of different kinds, for example, and a special supplement for students in compensatory education programs. Second, a cost-of-living index was designed (which allows for annual adjustments) so that districts in more expensive areas of the state (chiefly cities) get more funds.
- A major new investment of $89.5 million from the state for school construction will

[25] See Chapter VI for a description of "power equalizing".

be made based on statewide determination of the most urgent priorities.

- In addition, the state is increasing its share of transportation costs to 70%. The construction investment in particular is aimed at helping poorer districts with lower property values.
- Another important innovation in the legislation is its requirements of reporting and accountability. School boards must keep information on a school-by-school basis, and make public information about costs, comparability, and achievement on a standardized basis. In due course, the state expects to be in a much better position to evaluate what education costs and produces.

The new Florida plan does not include some changes for which reformers might wish. In particular, it represents an improvement for urban interests without corresponding attention to such problems as those of rural migrant children. But it is a long step toward a rational state system which tries not only to approach the test of fiscal neutrality, but also to adjust a finance program to differing educational needs and costs.

VIRGINIA

A recent Task Force appointed by the Governor recommended some major changes based on the comparatively rigorous requirements of quality education in Virginia's new state constitution.

The first step toward implementing its recommendations was the passage by the legislature of a new "Standards of Quality" program, which began July, 1972. To fund these improvements a new state aid guarantee is set at $628 per pupil expenditure, raised from both local and state sources. The local tax was made mandatory at a substantial level to insure that districts which formerly refused to support schools would have to participate. A supplementary fund of $24.6 million was then voted to help poorer districts meet their share of the "Standards of Quality" cost.

The Task Force, however, made a number of longer range suggestions, including a revised local tax index, special compensatory aid for low-achieving pupils and for sparsely populated districts, incentive grants for quality programs, and the possibility of full state funding for the extra costs of vocational, special education, and compensatory programs.

The combination of a new money-raising plan, plus an outline for the future, gives a hopeful start toward reform, and proves that strong leadership can overcome the natural resistance of legislatures. However, the new Virginia system does not meet the standard of fiscal neutrality. Also, more needs to be done to make the distribution formula more responsive to differing situations and to make more accurate determinations of a school district's capacity to pay.

TEXAS

The Texas situation has received particular publicity because the **Rodriguez** case was the first to go to the U. S. Supreme Court. Since a positive Court mandate failed to materialize, however, the legislature has put off making a decision about change in spite of the vigorous study and ferment of the past two years.

The extent to which the Texas school finance system discriminates against poor districts and against Chicano students in particular has been well documented, both in the material prepared for the **Rodriguez** case and also by the U. S. Commission on Civil Rights.[26]

Alternative proposals for reform have been presented to the state legislature by a governor's committee, by a state senate committee, by the Texas Education Agency, and by the Texas State Teachers Association. It is not yet clear which way the legislature will move.

> "Will we tolerate a finance system that, for a number of reasons, provides twice as much money for the education of some of its children simply because they happen to live in a particular school district? If our answer to this basic question is no, we have begun the search for a more equitable system of financing public education."
>
> Jesse A. Coles, Jr.
> Deputy Superintendent for Administration and Planning
> South Carolina State Department of Education
> April, 1973.

SOUTH CAROLINA

A growing interest among citizens and private organizations, plus forward-looking leadership from state government officials, indicate that school finance reform may be underway in South Carolina.

The state Board of Education asked for a major study by the Department of Education in 1972. State Superintendent Cyril Busbee has formed an Advisory Council on Equitable School Finance which includes leading legislators and education officials. The state department is gearing up to study and test various reform

[26] **Mexican-American Education in Texas: A Function of Wealth** (U. S. Commission on Civil Rights, Government Printing Office Washington, D. C. 20402, Stock Number 0500-0079, $.55.)

models, with computer help from the National Education Finance Project.

While formal proposals have not surfaced yet in the legislature, the necessary public dialogue is beginning. A coalition of agencies, including the state Education Association, the League of Women Voters, the National Association for the Advancement of Colored People, the American Association of University Women, the Urban League, and the American Friends Service Committee sponsored a major meeting in May, 1973.[27]

Meanwhile some interest in a full state funding program has been expressed by a few state officials.

MISSISSIPPI

The Governor of Mississippi appointed a major School Finance Study Group in 1972, whose report, Mississippi Public School Finance, is available through the State Department of Education.

The report recommends continuing the local share of school finance based on a required minimum local tax, with a revised tax assessment system to distribute the tax burden more equitably. It also recommends simplification of the present confusing categories of school district organization.

The study group's recommendations are rather modest attempts to make the system simpler, more understandable and fairer, with some commitment to a "power equalized" system. Even so, there is as yet no indication that the legislature will follow these limited recommendations.

TENNESSEE

The state legislature created a Tax Modernization and Reform Commission in 1972 which is giving serious consideration to a revised school finance system for that state. It is currently examining different alternatives, and taking a close look at the school finance systems in other states, Florida, in particular. The Commission's recommendations have not yet been published, but it has released two interim reports. The final recommendations were scheduled for December, 1973, release.

GEORGIA

The 1973 session of the Georgia General Assembly created a Commission to study the Minimum Foundation Program for Education. The Commission is divided into three subcommittees, focusing on finances, supportive services, and the general education program. It is considering alternatives for school finance, including variations of district power equalizing.

A Special Assistance Fund was authorized by the legislature which, when funded, will reduce the disparities in funds available for education based on local property wealth. Funds were not appropriated for this equalizing, although funds which otherwise would lapse could be used by the State Board of Education toward this end.

NORTH CAROLINA

The situation in this state is quite different, in that there already is complete state funding of the basic program, based on a statewide salary schedule without a local matching requirement. (Local taxes must provide construction costs and supplements.) There are two major studies of possible changes. The first, by a group at the Institute of Government of the University of North Carolina examines ways to equalize the local supplementary funds, reduce them to ten percent of the total or eliminate them altogether.[28] The second, undertaken by a group of school administrators and teachers, is due soon. A full state funding proposal was introduced in the 1973 legislative session, but no action was taken.

LOUISIANA

State Superintendent of Education Louis Michot has appointed a Task Force for Finance to study current methods of financing public education in Louisiana. The work of the Task Force has not been completed, and a report is not yet available. A report should be presented some time during the current fiscal year.

The state legislature has abolished the 5¾ mill state property tax and the property tax relief fund. Equalization of property tax assessment practices is currently being litigated.

ALABAMA

Though Alabama in 1935 was one of the first states in the nation to adopt a Minimum Program for Education, there have been few changes in it since then. There is at present no official state study or major school finance reform proposal under consideration.

In response to a federal court order, the state recently adopted four categories for property valuation, in an attempt to equalize property tax assessment. The value of this change is open to question, however, as the classification of property is left to the discretion of each local tax assessor.

ARKANSAS

In July, 1972, the Governor appointed a Committee to Study Public School Financing and the

[27] The agencies are circulating a number of background papers which can be obtained from the South Carolina Community Relations Program, American Friends Service Committee, 704 Columbia Building Columbia, S. C. 29201.

[28] See Appendix E, Page 46.

Property Tax. It continued to meet until shortly after the U. S. Supreme Court's **Rodriguez** decision, and was dissolved on May 10, 1973. A summary of its work, and its recommendations are included in a document entitled: Final Report of Governor's Committee to Study Public School Financing and the Property Tax.

During the 1973 session of the Arkansas General Assembly an act was passed which allocated an additional $1.5 million to the public schools, and set a minimum level of financial support for each child. This was a significant step toward equalizing per pupil expenditures among districts although the amount to be allocated in the future remains uncertain.

To keep up with new developments in all the states, subscribe to the **Legislative Review** Education Commission of the States, 1860 Lincoln Street, Suite 300, Denver, Colorado 80203. The Task Force on School Finance of the Office of Education, 400 Maryland Avenue, S.W., Washington, D. C. 20202, also reviews state actions.

Chapter IX
Citizen Action

In each Southern state there is an opportunity to improve the existing school finance system, although it is obvious from the foregoing that some states are far ahead of others in this field.

The new Florida legislation presents an opportunity to monitor and evaluate one of the most far-reaching reforms yet enacted. Not only citizens of that state, but also groups from other parts of the South, need to study what its actual results will be for improving educational opportunity for all children.

In other Southern states, where equalizing plans have not yet been attempted, interested groups can follow a series of steps to generate reform.

1. Understand the state finance system.

A first agenda item must always be homework: some reading on school finance in general, and discussion and reading of the particular system in effect in your state. The bibliography in this pamphlet can provide a start. State education agencies will also send more material on the laws, taxes and distribution schemes now operating.

2. Document the inequities in your state.

To find out how unequal the present situation is, and which districts and areas of the state are at an unfair disadvantage, requires a professional study of tax rates, assessment practices, property values, and state and local funding practices. Such studies have already been done in Florida by the Governor's Committee, and in Texas as part of the documentation of the **Rodriguez** legal suit. Studies of North Carolina and South Carolina have also been done during the last two years (see bibliography).

In other states, it may be necessary to enlist the help of a university research team or the state education department. Such a study could be financed by the state government, commissioned by the state legislature, sponsored by a university itself, or privately financed with foundation or agency funds.

3. Generate public interest in the issue.

Once the facts are in hand, the public needs to be more widely informed about the problem. Interested groups can circulate information through public meetings, press interviews, distribution of publications, and mailings through other related agencies. Many professional and private associations are interested in this subject: state education associations, teacher groups, PTA's, civil rights groups, church groups, legal services agencies, business groups, the League of Women Voters, labor organizations, and so on. Jointly sponsored public meetings should be organized, with good press coverage. Speakers can be offered to meetings of such groups around the state, so that new people have a chance to study and consider alternatives.

4. Get commitment from elected public officials.

The key to school finance reform is in the hands of elected officials. Those on education committees or tax committees, and those known to have a continuing interest in equality and education issues should be identified. They need to know the facts, to be invited to public meetings both to speak and to listen, and to sit with smaller groups of interested citizens for informal exchanges of ideas.

Another important focus of attention should be the state boards of education, state education officials, and those on the Governor's staff whose responsibility covers education and finance. People working in the public interest on this question should have communication and meetings with them as well.

5. Set some goals.

Beyond simply making people aware of the problem, advocates of reform need to begin to get a public interest consensus on goals for the short term and longer term. In some states it might be wiser to seek some initial tax reform or reform of property assessment practices before seeking a new money raising or distribution

scheme. The tax issues should be carefully studied and widely discussed; as Chapters VI and VII make clear the choice of new education taxes to replace an inadequate system can have major consequences. Here again, the help of university or privately sponsored research and discussion can be of assistance.

6. Consider legal alternatives.

If your state officials seem unwilling to move on this issue, it may be necessary to file suit in a state court to force them to face the problem. There are a number of groups with litigation experience in this field which can advise on the best procedure. Some of these groups are included in Appendix G.

7. Prepare for an extended effort.

School finance reform will doubtless not come in a neat package, all at once, even when it comes. States are likely to settle for insufficient changes first, or complicated amendments to present systems whose effects may be hard to assess. But by keeping in touch with changes all over the country, watching developments in Florida with special attention, and retaining good professional advice, Southern groups can keep their strategy and their results at a high level.

To seek equity in the raising and spending of money on schools promises to be a long and absorbing task. When some measure of financial equity is won, there will still remain grave educational problems, in particular for low-income and minority children. But equalizing school finance is an absolutely essential step toward the promise of equal educational opportunity for all the children in America.

SOUTHERN STATE CONSTITUTIONAL REQUIREMENTS

Format for this appendix:

A. Constitutional provisions for education Statutory provisions (if different from constitution).

B. Office, officers, or boards responsible for school finance; if dictated by constitution or statute.

Source: Information derived from ACLU State Studies prepared for SRC.

ALABAMA

A. The Alabama constitution was amended in 1956 to make it clear that there is no right to a public education. Article XIV, Section 256:

> "It is the policy of the state of Alabama to foster and promote the education of its citizens . . . . but nothing in this Constitution shall be construed as creating or recognizing any right to education or training at public expense . . . ."
>
> The legislature may by law provide for or authorize the establishment and operation of schools by such persons, agencies or municipalities, at such places, and upon such conditions as it may prescribe . . ."

B. The State superintendent of education, together with the state board of education, has control over matters relating to finance:

Tit. 52, Sec. 34:

> The state board of education shall have the power and authority to promulgate rules and regulations governing the right and method of review, and disposition upon review, by the state superintendent of education of actions and orders . . . . relating to finance and other matters seriously affecting educational interest.

Tit. 52, Sec. 43:

> The State superintendent of education shall make the annual apportionment of school funds to the several counties of the state as provided in this title.

ARKANSAS

A. The Arkansas constitution requires that the state establish and maintain a public school system. Article XIV, Sec. I:

> "Intelligence and virtue being the safeguard of liberty and bulwark of a free and good government, the state shall ever maintain a general, suitable and efficient system of free public schools, and shall adopt all suitable means to secure to the people the advantages and opportunities of education."

B. The Board of School Directors of each school district in the state is charged with the general management of the public schools. (Arkansas Code Title 80 Sect. 509) A state board of education is responsible for approving and supervising the use of funds for all buildings and school equipment. (Title 80, Sect. 113).

FLORIDA

A. The Florida constitution requires the state to provide for free public schools. Article IX, Section 1:

> "Adequate provision shall be made by law for a uniform system of free public schools and for the establishment, maintenance and operation of institutions of higher learning and other public educa-

tion programs that the needs of the people may require."

This is restated and emphasized in Florida statues 228.01 and 228.04. Also, statute 229.01:

"Public education is basically a function and responsibility of the state. The responsibility for establishing such minimum standards and regulations as shall tend to assure efficient operation of all schools and adequate educational opportunities for all children is retained by the state."

B. Each county school district has the responsibility of the actual operation and administration of its schools. (230.01) There is a state board of education which is the chief policy-making and coordinating body of public education in Florida. (229.053)

GEORGIA

A. The Georgia constitution establishes that the state has a primary obligation to provide an adequate education for its citizens. Section 2-6401 of the Constitution:

"The provision of an adequate education for the citizens shall be a primary obligation of the State of Georgia, the expense of which shall be provided for by taxation."

Section 2-7502:

"Notwithstanding any other provision of this Constitution, the General Assembly may by law provide for grants of State, county or municipal funds of the State for educational purposes, in discharge of all obligations of the State to provide adequate education for its citizens."

In 1961, however, an Act was passed allowing the suspension of operation of public schools, 32-801:

"Any county, city or other local school system may at any time by a resolution of its members, call an election on the question of suspending operation of the public schools under said board's jurisdiction . . ."

This has never occured, thus the constitutionality of it has never been determined.

B. The Georgia Code establishes and defines the role of The State Board of Education, 32-603:

"The state board shall establish and enforce minimum standards for the operation of all phases of public school education in Georgia and for operation extent possible, equal and adequate educational programs, curricula, offerings, opportunities and facilities for all Georgia's children and youth . . ."

LOUISIANA

A. The Louisiana constitution requires the state to provide for the education of the children of the state. Article XII, Section 1:

"The legislature shall provide for the education of the school children of the state. The public school system shall include all public schools and all institutions of learning operated by state agencies."

B. The Constitution creates a State Board of Education; Article XII, Section 4:

"There is hereby created a State Board of Education, to be composed of eleven members as follows . . . . The legislature shall prescribe the duties of said board and define its powers; provided, that said board shall not control the business affairs of parish school boards nor the selection or removal of their officers and directors."

C. The parish school boards are responsible for all business affairs of the schools in their parishes, including the allocation of financial resources.

Louisiana Code, Title 17, Section 81:

"Each school board shall exercise proper vigilance in securing for the schools of the parish all funds destined for the support of the schools, including the state funds apportioned thereto, and all other funds."

MISSISSIPPI

A. The state of Mississippi is under no constitutional duty to maintain a public school system, although the legislature may, in its discretion, provide for free public schools. Article 8, Section 201:

"The legislature may, in its discretion, provide for the maintenance and establishment of free public schools for all children between the ages of six and twenty-one, by taxation or otherwise, and with such grades as the Legislature may provide."

Article 8, Section 205:

"The Legislature may, in its discretion, provide for the maintenance and establishment of a free public school or school in each county in the state, with such term, or terms, as the legislature may prescribe."

Mississippi statutes, as opposed to the Constitution, provide that the state **shall** maintain a uniform system of free public schools, Miss. Code, Section 37-13-1. As a matter of construction, however, the constitution prevails over the statute.

Section 213-B of Article 8 of the Constitution provides that the Legislature may close all the public schools:

> "Regardless of any provision of Article 8, or any other provisions of this constitution to the contrary, the legislature shall be and is hereby authorized and empowered, by a two-thirds vote of those present and voting in each House, to abolish the public schools in this state, and enact suitable legislation to effect the same."

B. Article 8 of the state constitution provides for the office of superintendent of education, the superintendents of education of the various counties, and for a state board of education. The state board of education is constitutionally required to manage and invest the state school funds.

Article 8, Section 203:

> "There shall be a board of education, consisting of the secretary of state, the attorney-general, and the superintendent of public education, for the management and investment of the school funds according to law, and for the performance of such other duties as may be prescribed."

NORTH CAROLINA

A. The constitution of North Carolina requires that the state provide a system of free public schools.

Article IX, Section 1:

> Religion, morality and knowledge being necessary to good government and the happiness of mankind, schools, libraries, and the means of education shall forever be encouraged."

Article IX, Section 2:

> "The General Assembly shall provide by taxation and otherwise for a general and uniform system of free public schools, which shall be maintained at least nine months in every year, and wherein equal opportunities shall be provided for all students."

This is restated and emphasized in the Code of Laws of North Carolina, Section 115-1.

B. The North Carolina Code establishes a State Board of Education Section 115-2:

> "The general supervision and administration of the free public school system shall be vested in the State Board of Education, to consist of the Lieutenant Governor, the State Treasurer, and 11 members appointed by the Governor, subject to confirmation by the General Assembly in joint session."

Section 115-35 establishes and defines the duties of county and city school boards:

> "It shall be the duty of county and city boards of education to provide an adequate school system within their respective administrative units, as directed by law.
>
> Said boards of education shall have general control and supervision of all matters pertaining to the public schools in their respective administrative units and they shall enforce the school law in their respective units."

C. The General Assembly has constitutional authority to assign to units of local government responsibility for the financial support of the free public schools to the extent that it deems appropriate. (see Fuller v. Lockhart, 209 N. C. 61., 182 S. E. 733 (1935)).

SOUTH CAROLINA

A. The South Carolina Constitution provides that the State **shall** maintain a segregated school system. Article II, Section 7:

> "Separate schools shall be provided for children of the white and colored races, and no child of either race shall ever be permitted to attend a school provided for children of the other race."

While the provisions requiring segregation of the races in public schools are null and void, Section 7 of Article II is a recognition of the general duty of the state to provide schools.

B. The South Carolina Code establishes and empowers the State Board of Education.

Section 21-45:

> "The state Board of Education shall have the power to: Adopt policies, rules and regulations not inconsistent with the laws of the State for its own government and for the government of the free public schools . . . .
>
> Annually approve budget requests for the institutions, agencies, and service under the control of the Board as prepared by the State Superintendent of Education . . . . Adopt minimum standards for any phase of education as are

considered necessary to aid in providing adequate educational opportunities and facilities."

The actual operation of the schools, however, is the prerogative of local boards of trustees who "manage and control local educational interests" in their respective districts, and who have exclusive authority to operate or not to operate public schools. Section 21-230 (7):

"The board of trustees shall Control educational interest of its district. Manage and control local educational interests of its district, with the exclusive authority to operate or not to operate any public school or schools . . . . "

TENNESSEE

A. The constitution of Tennessee places the duty upon the General Assembly to "cherish literature and science". Article 11, Section 12:

"Knowledge, learning, and virtue, being essential to the preservation of republican institutions, and the diffusion of the opportunities and advantages of education throughout the different portions of the State . . . it shall be the duty of the General Assembly in all future periods to cherish literature and science. And the fund called common school fund . . . shall remain a perpetual fund . . . appropriated to the support and encouragement of common schools throughout the State for the equal benefit of all the persons thereof . . . ."

Section 12 has been interpreted by State Courts as contemplating the establishment of a common school system, and manifesting the intention of the people that the education of children through a system of common schools should be a state purpose.

Tennessee Statute 49-1001 and 49-1105 provide for the establishment of elementary and high schools.

B. Public education in Tennessee is administered by a state board of education, a commissioner of education, county and city boards of education, and county superintendents of education. (Section 49-102).

The commissioner of education has a general duty to supervise the public schools (Section 49-105(3)) while county boards have basic responsibility "to manage and control all county public schools established or that may be established". (Section 49-214(2)).

TEXAS

A. The Texas Constitution requires the state to provide a system of free public schools. Article VII, Section 1:

"A general diffusion of knowledge being essential to the preservation of the liberties and rights of the people, it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools."

It should be noted, however, that Article 3, Section 56 of the Constitution prohibits the state legislature from passing laws regulating the affairs of school districts. Article 3, Section 56:

"The Legislature shall not, except as otherwise provided in this constitution, pass any local or special law . . . regulating the affairs of counties, cities, town wards or school districts; creating offices or prescribing the powers and duties of officers, in counties, cities, towns, election or school districts."

B. In 1969 the Texas Legislature passed a comprehensive Education Code. Section 2.03:

"The educational institutions covered by this code are designed for and are open to the people of the state of Texas, subject only to such rules and regulations as the governing boards of such institutions may be authorized in this code to make and enforce for the welfare of the various institutions under their control."

A Central Education Agency exercises general control of public education at the state level. Section 11.01:

"The State Board of Education, the State Board for Vocational Education, the state commissioner of education and the State Department of Education shall comprise the Central Education Agency."

Section 11.02:

"The Central Education Agency shall exercise general control of the system of public education at the state level in accordance with the provisions of this code."

The state Board of Education is the policy-forming and planning body for the public school system. (Section 11.24)

State law prohibits the state from closing, consolidating or annexing any public school district. (Section 11.14)

The general management of the public

schools, unless otherwise provided by law is vested in county boards of school trustees. (Section 17.01)

Section 19.068: (c)

"The boards of trustees shall have all rights and powers of taxation as provided for independent school districts, including assessing and valuing property for taxation, fixing tax rates, and issuing bonds."

VIRGINIA

A. The Virginia State Constitution requires the state to provide a system of free public schools.

Article VIII, Section 1:

"The General Assembly shall provide for a system of free public schools for all children of school age throughout the Commonwealth, and shall seek to ensure that an educational program of high quality is established and continually maintained."

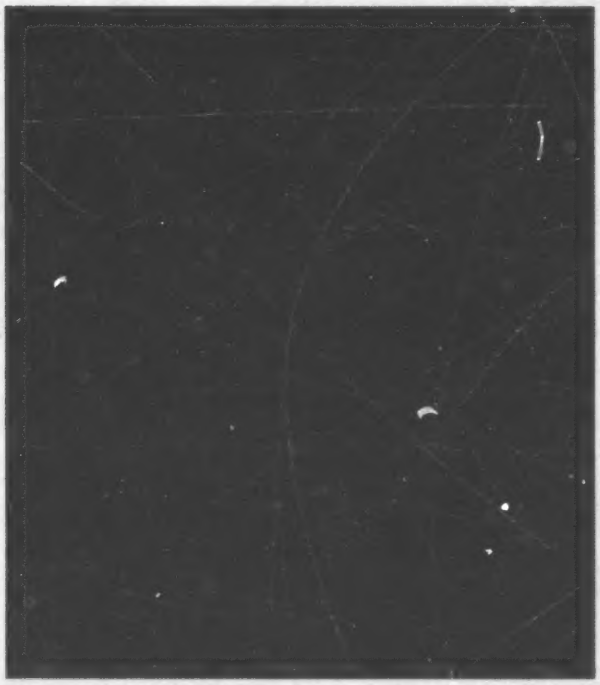
Article VIII, Section 2:

"Standards of quality; State and local support of public schools—Standards of quality for the several school divisions shall be determined and prescribed from time to time by the Board of Education, subject to revision only by the General Assembly."

In 1972 the General Assembly passed the code providing the standards of quality of education, placing the burdens for the standards on all levels of the school system.

The state laws authorize the closing of the schools when federal authorities, civil or military, are employed "for the purpose of policing the operation of any public school". (Sections 22-188.50 and 22-188-.51)

B. The constitution establishes the Board of Education, Article 8, Section 5. The supervision of schools in each district is vested in division school boards. (Article VIII, Section 7) Though not autonomous, the local boards have authority and duties under the statues. (22-63, 22-72)



APPENDIX E

Study and Reading Guide

BASIC BACKGROUND BOOKS

Charles S. Benson, **The Economics of Public Education,** Houghton Mifflin Company, Boston, 1968.

An academic, comprehensive clear book. Sections explaining tax sources, state aid plans, and metropolitan needs are especially useful.

John Coons, William Clune and Stephen Sugarman, **Private Wealth and Public Education.** Belknap Press of Harvard, 1971.

A long and scholarly legal explanation of the theory of inequality among districts. These men were important in sparking the school finance movement, and have produced one of the fundamental documents. They advocate local participation and "power equalizing".

Arthur Wise, **Rich Schools, Poor Schools: The Promise of Equal Educational Opportunity.** University of Chicago Press, 1969.

Professor Wise was the original proponent of the theory of unconstitutionality, and has written widely on the subject. This book deals with the legal side of the issue.

Robert Reischauer and Robert Hartman, **Reforming School Finance.** Brookings Institution, 1775 Massachusetts Avenue, Washington, D. C. 1973. Paperback $2.50.

Scholarly and clear look at the question, mostly from the perspective of economics and public policy. Three major sections deal with (1) the rising costs of schools; (2) inequalities among districts and among cities; and (3) problems of nonpublic schools. Good explanation of the pros and cons of property tax. No position on reform, but an objective view of alternatives and consequences.

SHORTER PAPERBACKS AND PAMPHLETS

Charles Daly (Editor) **The Quality of Inequality: Urban and Suburban Public Schools.** University of Chicago Center for Policy Study, University of Chicago Press 5750 Ellis Avenue, Chicago, Illinois, 1968.

Papers from an early conference on school finance reform, including Professor Wise's statement of the constitutional issue.

Communications Coalition for Educational Change, **Paying for Our Schools.** Box 19090, Washington, D. C. 20036. 1972.

A brief summary, mostly on different alternatives available for change. No recommendations.

AFL-CIO, **Financing the Schools: An AFL-CIO View.** 815 Sixteenth Street N.W., Washington, D. C. 20006. 1972.

A brief pamphlet, making the case for equalizing expenditures with major help from the federal government.

Marian F. Bendixsen, **In Search of Equality: School Finance Revisited.** National Committee for Support of the Public Schools, 1424 Sixteenth Street N.W. Washington, D. C. 20036 1972.

A more comprehensive study with relevant tables and statistics. Objective treatment of alternatives.

Daniel P. Moynihan, **Equalizing Education - In Whose Benefit?** The Public Interest, 10 East 53rd Street, New York, New York. Number 29, Fall 1972. Back issue $2.75.

In Moynihan's usual brisk style, he puts down the need for further equalizing because it would cost too much, without proof that more money will improve quality, and because the money increase would go for teachers' salaries which would have the effect of making incomes more unequal.

Yale Review of Law and Social Action, Winter 1971 Issue. Box 87, Yale Law School, New Haven, Connecticut 06520.

Five articles in this issue describe the Serrano decision and possible legislative reforms to follow.

Education Commission of the States, **Understanding Education's Financial Dilemma.** Report #24, April 1972. $1.00 from ECS, 1860 Lincoln Street, Denver, Colorado 80203.

A detailed pamphlet, including twelve theoretical models for change.

GOVERNMENT SPONSORED REPORTS

President's Commission on School Finance, Final Report, **Schools, People and Money,** March 1972. Government Printing Office, Washington, D. C. 20402, Number 1780-0965. $1.00.

The Commission was established in 1970, and issued its report in 1972. It emphasizes state responsibility for education, and recommends full state funding with a possible local add-on of not more than 10%. It suggests that $4-$5 billion federal dollars would be necessary to help states make the transition from local taxation over a five year period. It also recommends that states develop indices of educational cost and needs, as well as various other reforms.

The National Education Finance Project, University of Florida, 1212 Southwest Fifth Avenue, Gainesville, Florida 32601.

This $2 million research project, funded by the Office of Education, published seven volumes on school finance in paperback from 1969 through 1971. The study documents disparities within and between states. It analyzes economic factors and comparative costs of different programs. It recommends that states equalize funding with or without court pressure, providing at least 55% of all costs themselves. It recommends block grants from the federal government to cover about 25% of school costs.

All the volumes can be obtained from the project without cost. Of most value are a 60-page pamphlet summing up most of the work, entitled "Future Directions for School Financing", and an 84-page one "Planning School Finance Programs, A Study Guide."

Task Force on School Finance, Office of Education. 400 Maryland Avenue, S. W., Washington, D. C. 20202.

This office carries on a continuing study of school finance, especially of the federal role in reform. It does not publish books, but makes mimeographed documents available on request, including "Issues in School Finance", "State Actions Toward School Finance Reform" and "State Finance". It also analyzes new state legislation on school finance.

PARTICUAR EMPHASIS ON LEGAL AND CONSTITUTIONAL ISSUES

U. S. Commission on Civil Rights, **Inequality in School Financing: The Role of the Law.** Clearinghouse Publication No. 39, Washington, D. C. 20425. August, 1972.

A rather detailed and technical summary of the legal issues and major cases, and some discussion of alternatives.

D. Gene Watson (Editor), **The Courts Seek Fiscal Neutrality in Education.** University Printing Services, Illinois State University, Normal, Illinois, June 1972.

Articles by various authors, stressing the legal developments. Also a summary of two conferences, giving a good flavor of the current debate.

Len Desmond, **Rodriguez, Robinson and School Finance.** Research Brief #6, Education Commission of the States, 300 Lincoln Tower, 1860 Lincoln Street, Denver, Colorado 80203. $1.25.

An excellent summary of the issues in two major court cases, with recommendations to legislators on next steps.

The Rodriguez opinion of the Supreme Court, including both the majority decision and the dissent, can be obtained by sending 25¢ with a request for the Congressional Record for April 5, 1973, to the Superintendent of Documents, Government Printing Office, Washington, D. C. 20402.

Other legal opinions, such as the **Serrano** statements, can be requested from the Lawyer's Committee for Civil Rights under Law, 733 Fifteenth Street, N. W., Suite 520, Washington, D. C. 20005, for about $3.00 each.

PARTICULARLY ON TAXES

Eva Galambos, **State and Local Taxes in the South, 1973.** Southern Regional Council, 52 Fairlie Street, Atlanta, Georgia. 1973.

A short summary of Southern state tax systems, demonstrating the heavy dependence on sales taxes which hit the poor harder, and that potential tax sources are under-utilized in the South.

Advisory Commission on Intergovernmental Relations, **Financing Schools and Property Tax Relief: A State Responsibility.** ACIR, 726 Jackson Place, N. W., Washington, D. C. January, 1973.

A brief report, plus many statistical tables, prepared at the request of the President to analyze the burden of local property taxes and the possibility of substituting federal aid. It concludes that property taxes should be reformed, but continued, and that states should increasingly take over school costs without federal help.

Who Should Pay for Public Schools? October 1971.

This booklet has many interesting comments from a conference on school finance. It is based on the Commission's belief that states should assume responsibility for funding schools.

Education Commission of the States, **Property Assessment and Exemptions: They Need Reform.** 1860 Lincoln Street, Suite 300, Denver, Colorado 80203. $2.00 1973

A careful study of the problems of the property tax, which recommends a number of specific reforms rather than abandoning the local property tax.

League of Women Voters, **New Trends in State Finance.** 1730 "M" Street N. W., Washington, D. C. 20036, Publication No. 198, $.35. 1973

A brief pamphlet on state taxation policies, emphasizing taxes for education.

Kenneth E. Quindry, **State and Local Revenue Potential 1971.** Southern Regional Education Board. 1972.

PARTICULARLY ON THE PROBLEMS OF CITIES

Betsy Levin, Thomas Muller, Carazon Sandoval, **The High Cost of Education in Cities.** The Urban Institute, 2100 "M" Street, N. W., Washington, D. C. 20037. 1973. $2.50

John Silard, Arthur J. Levin and Norman Drachler, **Equity for Cities in School Finance Reform.** The Potomac Institute, 1501 Eighteenth Street, N. W., Washington, D. C. 20036. 1973 $1.50

PARTICULARLY ON POLITICS AND LEGISLATIVE REFORM

Michael Cohen, Betsy Levin and Richard Beaver, **The Political Limits to School Finance Reform.** The Urban Institute, 2100 "M" Street, N. W., Washington, D. C. 20037. 1973 $1.75

A study of eight states (California, Colorado, Georgia, Maryland, Michigan, New Hampshire, Oklahoma and Oregon) showing how legislation and politics differ in each one, and how changes might be expected to get under way.

A Legislator's Guide to School Finance, Education Commission of the States, 1860 Lincoln Street, Suite 300, Denver, Colorado 80203. Report #31, February, 1973. $2.00

This report summarizes the issues and details new proposals and legislation in Minnesota, Michigan, Kansas and New York.

Legislative Review, Education Commission of the States, 1860 Lincoln Street, Suite 300, Denver, Colorado 80203. The Task Force on School Finance of the Office of Education, 400 Maryland Avenue, S.W., Washington, D. C. 20202, also reviews state actions.

PARTICULAR REPORTS ON INDIVIDUAL SOUTHERN STATES

Summary profiles on Alabama, Florida, Georgia, Louisiana, North Carolina, Mississippi, South Carolina and Tennessee were prepared in mimeographed form by the Syracuse University Research Corporation (1730 "K" Street N. W., Washington, D. C. 20006) for a Southern state legislators conference in July, 1972. Sample school district comparisons are included, and the cost of "leveling up" alternatives for each state.

Berke, Joel S. and Goettel, Robert J. **Financing Public Education in South Carolina: Problems and Prospects.** A report prepared by the Syracuse University Research Corporation for the South Carolina Community Relations Program, October, 1972 (mimeo.). Available from SCCRP, 704 Columbia Building, Columbia, South Carolina 29201.

A study of existing inequities among districts in this state, and analysis of the effect different changes would produce.

Betsy Levin, Thomas Muller and William Scanlon, **Schools and Taxes in North Carolina,** The Urban Institute 2100 "M" Street, N. W. Washington, D. C. 1973.

A detailed and helpful examination of the present inequities in North Carolina, and of the impact of various kinds of change which might reform the system.

Governor's School Finance Study Group, **Mississippi Public School Finance.** February, 1973.

A recommendation to mandate a minimum local tax, retain local choice of tax effort above the minimum and distribute funds on a new personnel unit formula. Also discusses the need for reform in school district organization.

Governor's Citizen's Committee on Education, **Improving Education in Florida.** March, 1973.

A comprehensive report on every aspect of school finance, including recommendations which were largely enacted into law in June, 1973.

Institute of Government, University of North Carolina, **Report on North Carolina School Finances — Responses to Serrano-Rodriguez.** Robert E. Phay; 1972

Appalachian Regional Commission, Communications Office, 1666 Connecticut Avenue, N. W., Washington D. C. 20235. Current Issue Report No. 2: **Financing Public Education in Appalachia.**

Includes much useful data and factual tables on all Appalachian states, including 7 Southern states, with emphasis on their Appalachian counties.

U. S. Office of Education, **Public School Finance Programs, 1971-72.** Government Printing Office, Washington, D. C. 20402. S/N 1780-01126 (1973) $3.70

A detailed technical description of each state's school finance scheme.

APPENDIX F

SOUTHERN UNIVERSITY RESOURCES FOR RESEARCH

Some research has been done in Southern states, notably North and South Carolina, to establish the extent of existing inequities and test out the consequences of different kinds of changes. Other states may want to sponsor similar research, either through the state education agency or through university groups. The following list of Southern academic resources

indicates where individuals and departments are that are familiar with the subject:

1. The University of Alabama
   Bureau of Educational Services and Research — Dr. Vaughn A. LaCombe
   College of Education
   University, AL 35486 — Dr. Paul G. Orr

"The Bureau's principal functions are (1) to provide services to the school systems and boards of education throughout the State of Alabama and (2) to stimulate research in areas of common concern. Its resources consist primarily of College of Education faculty who are assigned to the Bureau on a released-time basis.
Recent Bureau projects have included studies in the area of local school district budgeting and accounting systems."

2. Clark College
   Southern Center for Public Policy — Robert Kronley
   Atlanta, Georgia 30314
   404-522-8770

3. Duke University — Dr. Betsy Levin
   Law School
   Durham, N.C. 27706

"Familiar with subject of school finance in general, and N.C. in particular"

4. University of Florida
   College of Education — Kern Alexander
   Gainesville, Florida 32601 — K. Forbis Jordan

5. Florida State University
   Professor of Educational Administration — Dr. Robert J. Garvue
   Tallahassee, Florida 32306

"Director of M.A. and Ph.D level programs in school finance and school fiscal management."

6. University of Georgia
   Banking and Finance Dept.
   College of Business
   Athens, Georgia 30601 — Dr. Donald Escarraz, Dr. Charles Clement

"The college of Business has several faculty members who have experience in contract research and professional publications in the area of school finance."

7. University of Georgia
   Institute of Government
   Terrell Hall — Dr. John B. Legler
   Athens, Georgia — Dr. C. David Billings

"The Institute of Government conducts research in the area of property tax financing of public education, court decision related to school finance, and the relationship between school finance and achievement. The Institute of Government has the resources to conduct seminars and/or training sessions in school finance."

8. Georgia State University
   Political Science Dept. — William H. Wilken
   Atlanta, Georgia 30303

"Extensive fiscal data and related information for Connecticut, Massachusetts, Minnesota, Pennsylvania, and Virginia. Also fiscal simulation programs for computer analysis"

9. University of Tennessee — Dewey H. Stollar
   Dept. of Educational Administration — Kenneth Tanner
   Rm 221 Henson Hall
   Knoxville, Tenn.

"Development of State Minimum Foundation Program; Evaluation of state and local tax programs; Development of Municipal Bond programs"

10. University of Texas
    Law School — Mark Yudof
    2300 Red River
    Austin Texas

"Co-Counsel for Rodriguez vs San Antonio litigation; Author of **Equal Educational Opportunity and the Courts**"

APPENDIX G

HELPFUL AGENCIES

In addition to the Southern Regional Council itself, a number of national and regional agencies are prepared to give help to citizens or groups who are interested in school finance reform:

1. American Friends Service Committee — Winifred Green
   Southeastern Public Education Program
   52 Fairlie Street, N. W.
   Atlanta, Georgia 30303
   404-523-6629

a. South Carolina Community Relations Program — Hayes Mizell
   Room 401, Columbia Building
   Columbia, S. C. 29201

b. Alabama Community Relations Program
   125 Washington Building, Suite 214
   Montgomery, Alabama 36104

"Staff works in Alabama, Georgia, Mississippi, Louisiana, and South Carolina with parents, students, teachers, and community groups towards the goal of quality integrated public school systems."

2. Children's Defense Fund
   Washington Research Project
   1763 "R" Street, N. W. — Cynthia Brown
   Washington, D. C. 20009 — Ann Rosewater

"C.D.F. is a public interest and child advocacy group which follows closely federal education proposals, programs, and policies including the financing of education."

3. Educational Finance and Governance Program — Joel S. Berke, Director
   Syracuse University Research Corporation
   1527 New Hampshire Avenue, N. W.
   Washington, D. C. 20036

"A source of numerous projects and publications on school finance reform."

4. Lawyers Committee for Civil Rights under Law
   School Finance Project
   520 Woodward Building
   Washington, D. C. 20005

"The School Finance Project provides technical support for school finance reform litigation dealing with inter- and intra-district resource allocation suits, including Title I comparability. The project has four staff attorneys in its Washington, D. C. office."

5. League of Women Voters Education Fund — Alice Kinkead
   1730 "M" Street, N. W.
   Washington, D. C.

The Human Resources Department has a grant to sponsor citizen education projects on education finance reform in four states.

6. Texans for Educational Excellence — Dr. Jose A. Cardenas
   214 Dwyer, Suite 309
   San Antonio, Texas 78204

Research and dissemination on public school finance.

7. The Urban Institute
   2100 "M" Street, N. W.
   Washington, D. C. 20037

"This nonprofit, nongovernmental research organization completed a number of studies and evaluations prior to the Rodriguez court decision pertaining to disparities in school expenditures, and analyzing impacts of various reform measures being proposed."